

Agency Proposed Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003	Total Exec. Budget Fiscal 02-03
FTE	349.24	11.50	13.00	373.74	11.50	13.00	373.74	373.74
Personal Services	12,666,881	2,105,630	433,287	15,205,798	2,192,598	426,039	15,285,518	30,491,316
Operating Expenses	23,946,366	28,626,214	3,293,283	55,865,863	(4,730,598)	3,209,551	22,425,319	78,291,182
Equipment	93,060	262,500	48,990	404,550	25,516	40,000	158,576	563,126
Grants	1,085,813	196,782	0	1,282,595	243,558	0	1,329,371	2,611,966
Benefits & Claims	0	3,500,000	0	3,500,000	0	0	0	3,500,000
Transfers	0	0	0	0	0	0	0	0
Total Costs	\$37,792,120	\$34,691,126	\$3,775,560	\$76,258,806	(\$2,268,926)	\$3,675,590	\$39,198,784	\$115,457,590
General Fund	3,266,376	1,512,651	182,677	4,961,704	1,105,604	182,375	4,554,355	9,516,059
State/Other Special	19,857,864	29,201,244	243,143	49,302,251	(6,746,287)	157,153	13,268,730	62,570,981
Federal Special	14,667,880	3,977,231	3,349,740	21,994,851	3,371,757	3,336,062	21,375,699	43,370,550
Total Funds	\$37,792,120	\$34,691,126	\$3,775,560	\$76,258,806	(\$2,268,926)	\$3,675,590	\$39,198,784	\$115,457,590

Agency Description

The Department of Environmental Quality is responsible for regulating air quality, water quality, underground storage tanks, automobile wrecking facilities, hazardous waste facilities, solid waste management systems, and mining operations; and for siting and needs analyses of large-scale energy facilities. In addition, the department is the lead agency for reclamation and clean-up activities related to the federal and state superfund programs, leaking underground storage tanks, and regulation and permitting of mining conducted on private, state, and federal lands.

Biennium Budget Comparison								
Budget Item	Present Law Fiscal 2002	New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	Present Law Fiscal 2003	New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003	Total Biennium Fiscal 00-01	Total Exec. Budget Fiscal 02-03
FTE	360.74	13.00	373.74	360.74	13.00	373.74	0.00	373.74
Personal Services	14,772,511	433,287	15,205,798	14,859,479	426,039	15,285,518	27,612,825	30,491,316
Operating Expenses	52,572,580	3,293,283	55,865,863	19,215,768	3,209,551	22,425,319	88,106,860	78,291,182
Equipment	355,560	48,990	404,550	118,576	40,000	158,576	264,616	563,126
Grants	1,282,595	0	1,282,595	1,329,371	0	1,329,371	2,868,377	2,611,966
Benefits & Claims	3,500,000	0	3,500,000	0	0	0	673,667	3,500,000
Transfers	0	0	0	0	0	0	0	0
Total Costs	\$72,483,246	\$3,775,560	\$76,258,806	\$35,523,194	\$3,675,590	\$39,198,784	\$119,526,345	\$115,457,590
General Fund	4,779,027	182,677	4,961,704	4,371,980	182,375	4,554,355	6,813,027	9,516,059
State/Other Special	49,059,108	243,143	49,302,251	13,111,577	157,153	13,268,730	82,103,195	62,570,981
Federal Special	18,645,111	3,349,740	21,994,851	18,039,637	3,336,062	21,375,699	30,610,123	43,370,550
Total Funds	\$72,483,246	\$3,775,560	\$76,258,806	\$35,523,194	\$3,675,590	\$39,198,784	\$119,526,345	\$115,457,590

New Proposals

The table below summarizes all new proposals requested by the executive. Descriptions and LFD discussion of each new proposal are included in the individual program narratives.

New Proposals										
Prgm	FTE	Fiscal 2002				FTE	Fiscal 2003			
		General Fund	State Special	Federal Special	Total Funds		General Fund	State Special	Federal Special	Total Funds
DP 2 - TMDL Quality Assurance Quality Control										
20	2.00	0	0	55,151	55,151	2.00	0	0	43,811	43,811
DP 3 - TMDL/Transportation Improvement										
20	1.00	0	0	59,993	59,993	1.00	0	0	56,674	56,674
DP 4 - Storm Water Phase II Permit Writer										
50	1.00	0	64,000	0	64,000	1.00	0	62,000	0	62,000
DP 5 - Nonpoint Source Supplemental Funding										
20	1.00	0	0	1,928,973	1,928,973	1.00	0	0	1,928,973	1,928,973
DP 6 - State Energy Prgm Special Projects										
20	0.00	0	0	200,000	200,000	0.00	0	0	200,000	200,000
DP 7 - Environmental Monitoring and Assess										
20	1.00	0	0	180,444	180,444	1.00	0	0	175,869	175,869
DP 9 - NRIS Core Funding - Remediation Division										
40	0.00	0	10,672	9,338	20,010	0.00	0	10,672	9,338	20,010
DP 10 - NRIS Core -PCD										
50	0.00	11,175	11,175	0	22,350	0.00	11,175	11,175	0	22,350
DP 11 - Technical Assistance to Tribal Air Prgm										
20	2.00	0	0	108,464	108,464	2.00	0	0	103,772	103,772
DP 13 - NRIS Core Funding										
20	0.00	8,900	0	16,000	24,900	0.00	8,900	0	16,000	24,900
DP 15 - Above Ground Storage Tank Survey										
40	0.00	0	25,000	0	25,000	0.00	0	25,000	0	25,000
DP 16 - Petroleum Board Fund Liabilities Study										
40	0.00	0	75,000	0	75,000	0.00	0	0	0	0
DP 17 - Hardrock Equipment										
50	0.00	0	8,990	0	8,990	0.00	0	0	0	0
DP 25 - Technical Assistance-NP										
20	(1.00)	0	0	(162,602)	(162,602)	(1.00)	0	0	(162,300)	(162,300)
DP 26 - Wastewater Technical Assistance-PL										
20	1.00	162,602	0	0	162,602	1.00	162,300	0	0	162,300
DP 42 - Restricted Database Development										
40	0.00	0	18,306	34,294	52,600	0.00	0	18,306	34,294	52,600
DP 50 - LUST Trust Contracted Service Increase To Base										
40	0.00	0	30,000	270,000	300,000	0.00	0	30,000	270,000	300,000
DP 59 - PM 2.5 Monitoring										
20	3.00	0	0	250,784	250,784	3.00	0	0	249,099	249,099
DP 91 - Operator Training Reimbursement Program										
50	1.00	0	0	398,901	398,901	1.00	0	0	410,532	410,532
DP 99 - Modified Level FTE To Current Level										
20	1.00	0	0	0	0	1.00	0	0	0	0
Total	13.00	\$182,677	\$243,143	\$3,349,740	\$3,775,560	13.00	\$182,375	\$157,153	\$3,336,062	\$3,675,590

Executive Budget Summary

- ?? The department requests present law adjustments totaling \$32.8 million in fiscal 2002 and a reduction of \$4.2 million in 2003 for a net gain of \$30.4 million over the biennium.
- ?? Over the biennium, these adjustments seek general fund appropriations totaling \$2.2 million.
- ?? The largest request seeks spending authority of \$21.5 million for bond forfeitures.
- ?? Other major present law adjustments include 23 decision packages for "base adjustments."
- ?? In addition to present law adjustments, the department is requesting 20 new proposals totaling \$3.7 million in fiscal 2002 and \$3.7 million in 2003.
- ?? The largest single request by the executive is a request for over \$1.9 million in federal special revenue to support non-point source pollution grant activities.

Reorganization

HB 617, passed by the 1999 legislature, revised the makeup of the Petroleum Tank Release Compensation Board made significant changes in the staffing pattern of the petroleum tank cleanup program. The legislation removed the allowance for the board to hire and pay staff (the department must provide staff support) and required the board to pay costs of

review and processing claims for reimbursement submitted by tank owners and operators. Although the legislation disallowed the board from hiring its own staff, the executive did not request the elimination or transfer of the 10.0 FTE and \$677,033 in personal services appropriated in HB 2 for the Petroleum Tank Release Compensation Board program.

After passage of HB 617, the department moved the board's staff and respective duties into program 40. The board is responsible for administering the petroleum tank release cleanup fund. This includes reimbursement to petroleum storage tank owners and operators for corrective action costs and compensation paid to third parties for bodily injury and property damage as a result of a release of petroleum from a petroleum storage tank. The board is also responsible for responding to and working with private individuals, corporations, other state agencies, the Governor's office, the legislature, federal agencies, and other interested parties with activities relative to petroleum storage tanks. Operating costs for the Petroleum Tank Release Compensation Board are funded by a portion of the \$0.0075 tax on gasoline, diesel, heating oil, and aviation fuel that is distributed within Montana and are appropriated in HB 2.

Base Adjustments

The executive proposes "base adjustments" that group a number of at times disparate present law adjustment requests in nearly every division. By statute, present law adjustments are defined as expenditures needed to maintain operations and services at the level authorized by the previous legislature, including legally mandated workload changes, funding requirement changes, and inflationary/deflationary adjustments. If these base adjustments are for inflationary changes, the department should document inflation's impact on program costs and request an adjustment in their inflation rate. Similarly, if the increases are for legally mandated changes in workload, the department should provide documentation detailing the mandate and show the mandate's impact upon baseline workload.

LFD ISSUE

In many of the department's requests, the department "anticipates" additional workload. However, references to legally mandated workload changes only occur in a few places. For brevity, detailed descriptions of the requested adjustments were not made. However this information will be available for legislative decision-making. More detailed information regarding justification for base expenditure adjustments is also available upon request.

LFD ISSUE

It appears that many of the base adjustments are requested because of vacant positions, numerous small equipment requests, hiring interns, and database maintenance. In most cases, increases were requested without data to support and justify workload increases. Additionally, the department states, in many cases, full levels of staffing are anticipated. However, they do not articulate why the positions have been vacant or when they will be filled. The legislature has a number of options:

- 1) Do not approve decision packages that contain "base adjustments."
- 2) Require the department to detail mandates and/or inflation and show the impact upon baseline workload or expenditures. The legislature could then consider increases for those programs that provided justification.
- 3) Direct the department to give regular updates on recruitment efforts.
- 4) Approve.

Total Maximum Daily Loads

Background

The 1997 legislature enacted HB 546, which established a total maximum daily load (TMDL) program for state waters. TMDL refers to the total amount of pollutants from all sources that could be discharged in state waters without violating water quality standards. Both the department and the Department of Natural Resources and Conservation are involved in this program. The legislation requires the department to assess state waters, identify those that are threatened or impaired, and establish a priority ranking for development of TMDL for those waters. The department has revised and prioritized a list of threatened or impaired waters, and removed waters for which data did not support listing. The list must be reviewed every five years. The department has until May 5, 2007 to develop TMDL for all waters on the list of

waters that are threatened or impaired. The 1997 legislature appropriated to the Department of Environmental Quality \$948,766 general fund to implement HB 546 and funded 9.0 FTE for the 1999 biennium. It also directed that the following federal non-point source pollution control money already appropriated in HB 2 for the biennium be used as follows: 1) \$507,600 in the department to address TMDL; and 2) \$2,043,535 in DNRC to address water-quality impaired streams.

During the interim, the Governor approved a transfer of the Department of Natural Resources and Conservation appropriations of federal non-point source pollution control money to the Department of Environmental Quality. The amounts transferred were \$1,019,898 in fiscal 1998 and \$1,021,728 in fiscal 1999. Also included in the transfer were 5.4 FTE.

Recently, a memo was drafted by TMDL program staff and forwarded to the administrator of the program. This memo detailed high levels of frustration, low moral among staff, and a lack of guidance and policy to implement the program. This memo became a discussion point in recent gubernatorial debates. In response, the department indicated that the TMDL program is one of the department's top priorities and that despite obstacles such as landowner resistance, the program must continue to work to accelerate the TMDL efforts to meet federal priorities. To meet program goals the department implemented two separate efforts. The first was to regroup and reorganize impaired and threatened waters into distinct watersheds (a geographic grouping of impaired or threatened waters). The second effort required the department to meet with the Department of Fish, Wildlife, and Parks and the Department of Natural Resources and Conservation to overcome what is termed a "a simple lack of interest" and an "outright undermining" of watershed efforts in Helena. A complete copy of the department's response is available upon request.

TMDL Executive Request

The executive is requesting \$658,907 in fiscal 2002 and \$608,905 in fiscal 2003 for the TMDL program. General fund expenditures of \$683,919 and federal expenditures of \$583,893 are proposed for the biennium. Through present law adjustments, the department is seeking to accelerate efforts toward meeting its goal of developing TMDL's for 860 bodies of water by 2007.

Resource Indemnity Trust

The department administers two accounts that receive a portion of resource indemnity trust (RIT) interest: 1) hazardous waste/CERCLA (26 percent of the interest remaining after distribution); and 2) environmental quality protection (EQPF) (9 percent after distribution). The department is proposing to use \$1,891,420 from hazardous waste/CERCLA and \$1,763,615 from EQPF for projects over the biennium. Table 1 details the uses of this funding. For a complete discussion of the RIT funds, see the Agency Overview section for the Department of Natural Resources and Conservation.

Table 1 Environmental Quality Executive Request --RIT Accounts			
	FY 2002	FY 2003	Biennium
Hazardous Waste/CERCLA			
Planning, Prevention, & Assistance	\$ 160,742	\$ 160,494	321,236
Enforcement	-	-	-
Remediation	252,971	249,935	502,906
Permitting and Compliance	535,031	532,247	1,067,278
Total Hazardous Waste/CERCLA	<u>\$ 948,744</u>	<u>\$ 942,676</u>	<u>\$ 1,891,420</u>
Environmental Quality Protection Fund			
Planning, Prevention, & Assistance	\$ -	\$ -	\$ -
Enforcement	4,878	4,905	9,783
Remediation	955,445	798,387	1,753,832
Permitting and Compliance	-	-	-
Total Environmental Quality Protection Fund	<u>\$ 960,323</u>	<u>\$ 803,292</u>	<u>\$ 1,763,615</u>

Database Conversions

The executive is requesting \$1,823,306 in fiscal 2002 and \$1,203,438 in fiscal 2003 to convert databases in four divisions to more modern and compatible database standards. These increases are shown in Table 2.

Table 2					
Department of Environmental Quality					
Database Conversions					
Program	Number	Requested Amounts			
		Fiscal 2002	Fiscal 2003	Biennium	
<u>Central Management</u>					
Department-wide *	DP - 1	\$ 74,700	\$ 74,700	\$ 149,400	Maintenance
Data Storage System *	DP - 43	160,000	32,000	192,000	Maintenance
Data base Development **	DP - 46	250,000	-	250,000	Development
Subtotal		\$484,700	\$106,700	\$591,400	
Planning, Prevention & Assistance					
One Stop Grant for IT	DP - 45	\$450,000	\$450,000	\$900,000	Development
<u>Remediation</u>					
Remediation Base adjustments	DP - 9	\$212,687	\$101,982	\$314,669	Development
Restricted Database Development	DP - 42	52,600	52,600	105,200	Development
Sub-Total		\$265,287	\$154,582	\$419,869	
<u>Permitting & Compliance</u>					
Opencut Base Adjustments	PL - 20	\$49,146	\$42,754	\$91,900	Maintenance
Coal and Uranium Base Adjustment	PL - 21	77,692	73,148	150,840	Maintenance
Water Permits Base Adjustment	PL - 22	38,481	33,254	71,735	Maintenance
Subdivision Base Adjustment	PL - 23	258,000	255,000	513,000	Development
Solid Waste Database Conversion	PL - 39	100,000	30,000	130,000	Development
Junk Vehicle Database Conversion	PL - 41	60,000	18,000	78,000	Development
Air and Waste Management Bureau	PL - 68	40,000	40,000	80,000	Maintenance
Sub Total		\$623,319	\$492,156	\$1,115,475	
Total		<u>\$ 1,823,306</u>	<u>\$ 1,203,438</u>	<u>\$ 3,026,744</u>	
	Maintenance	\$440,019	\$295,856	\$735,875	
	Development	\$1,383,287	\$907,582	\$2,290,869	
* Included in proprietary rates					
** Biennial appropriation requested					

According to the department, development of this system will reduce the redundancy associated with maintaining several project-level databases and increase overall efficiency by centralizing many database maintenance tasks. Part of the vision of the completed system would include data exchanges with the EPA and other states. In addition, workers in any given part of the department would be able to access one database and receive the "total environmental picture" of an entity. For example, if an entity was seeking an air quality permit, the worker could pull up information on all of the entity's interactions with the department. Thus, the worker would look at one database to see if the entity has other permits, environmental violations, or on-going litigation. The 1999 legislature approved \$550,000 in appropriations for database conversions. According to the department, it is approaching the database conversion in small pieces over a period of 3 to 5 years.

**LFD
COMMENT**

Although the department estimates that initial development would take place in pieces over a 3 to 5 year period (development began after the 1999 legislative session), upgrades, on-going development, and other system changes could take place over many years. No cost estimates were available on future development beyond 5 years.

**LFD
ISSUE**

If the legislature approves this request:

1) The legislature should recognize that in addition to development costs, there will be on-going maintenance costs for upgrading, data conversion, and troubleshooting. Maintenance costs of \$735,875 are being requested in the 2003 biennium. These costs are on-going in nature and would have to be funded for the life of the database.

2) It may want to designate the appropriations as one-time-only to reflect the one-time nature of the expenditures. Subsequent developments can then be brought before the legislature for justification.

Language Recommendations

The executive is recommending the following language in HB 2:

"Items 2, 4 and 5 include a total of \$177,860 for the 2003 biennium for the Montana Natural Resources Information System. Quarterly payments must be made upon receipt of the bills from the state library up to the total amount appropriated."

**LFD
COMMENT**

For a further discussion of NRIS funding, please see the narrative for the Montana State Library Commission in Volume 4.

Program Proposed Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003	Total Exec. Budget Fiscal 02-03
FTE	0.00	1.00	0.00	1.00	1.00	0.00	1.00	1.00
Personal Services	1,350	43,454	0	44,804	43,607	0	44,957	89,761
Operating Expenses	16,072	370,711	0	386,783	116,632	0	132,704	519,487
Total Costs	\$17,422	\$414,165	\$0	\$431,587	\$160,239	\$0	\$177,661	\$609,248
General Fund	14,041	414,165	0	428,206	160,239	0	174,280	602,486
Federal Special	3,381	0	0	3,381	0	0	3,381	6,762
Total Funds	\$17,422	\$414,165	\$0	\$431,587	\$160,239	\$0	\$177,661	\$609,248

Program Description

The Central Management Division consists of the Director's Office and a Centralized Services office. The Director's Office includes the director's staff, a centralized Legal Services Unit, and a centralized Personnel Office. The Central Management Division is responsible and accountable for the administration, management, planning, and evaluation of agency performance in carrying out department mission and statutory responsibilities. The Centralized Services office provides budgeting, accounting, payroll, procurement, contract management, and information technology services support to other divisions.

Funding

The primary functions of this division are funded with proprietary funds (non-budgeted) and are not appropriated in HB 2. The funding in HB 2 consists of general fund for Board of Environmental Review expenses. A discussion of the proposed proprietary rates to support the function follows. Table 3 details the Central Management Program's funding sources.

Table 3 Environmental Quality Central Management Program						
	Actual FY 2000	% of Total	Executive Request FY 2002	% of Total	Executive Request FY 2003	% of Total
General Fund	\$ 14,041		\$ 428,206		\$ 174,280	
Subtotal -- General Fund	\$ 14,041	80.59%	\$ 428,206	99.22%	\$ 174,280	98.10%
EPA Performance Partnership Grant	\$ 3,381		\$ 3,381		\$ 3,381	
Subtotal -- Federal	\$ 3,381	19.41%	\$ 3,381	0.78%	\$ 3,381	1.90%
Total Funding	<u>\$ 17,422</u>	100.00%	<u>\$ 431,587</u>	100.00%	<u>\$ 177,661</u>	100.00%

Present Law Adjustments									
-----Fiscal 2002-----					-----Fiscal 2003-----				
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services				(1,350)					(1,350)
Vacancy Savings				0					0
Inflation/Deflation				67					106
Fixed Costs				0					0
Total Statewide Present Law Adjustments				(\$1,283)					(\$1,244)
DP 1 - Central Mgmt Prgm Base Adjustments	0.00	0	0	0	0.00	0	0	0	0
DP 2 - Board of Environ. Review Base Adjustments	0.00	4,266	0	4,266	0.00	4,235	0	0	4,235
DP 27 - IT Positions To CMP - Pgm 10	0.00	0	0	0	0.00	0	0	0	0
DP 33 - Additional Legal Staff	1.00	61,182	0	61,182	1.00	57,248	0	0	57,248
DP 43 - Data Storage System	0.00	0	0	0	0.00	0	0	0	0
DP 44 - Software Upgrades	0.00	0	0	0	0.00	0	0	0	0
DP 46 - DEQ Database Development-Biennial	0.00	250,000	0	250,000	0.00	0	0	0	0
DP 57 - Legal Challenges	0.00	100,000	0	100,000	0.00	100,000	0	0	100,000
Total Other Present Law Adjustments									
	1.00	\$415,448	\$0	\$415,448	1.00	\$161,483	\$0	\$0	\$161,483
Grand Total All Present Law Adjustments				\$414,165					\$160,239

Executive Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget included in the executive present law. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items will be applied globally to all agencies. A description of each item is included in the "Agency Budget Analysis Roadmap" section that begins this volume. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 1 - Central Mgmt Program Base Adjustments - The executive is requesting \$149,400 proprietary funds in the 2003 biennium for increases to the base budget for the Centralized Service Division. Increases in operating costs are due to hiring of new staff, automation and conversion of agency financial databases to meet SABHRS and Oracle standards, and increased travel and training costs to train staff in new technology.

LFD COMMENT

This DP is for information purposes to show the cost increases that determine the proprietary rate changes. For further discussion see the "Proprietary Rate" section that follows.

LFD ISSUE

The legislature may wish to require that the agency document efficiencies gained from the data base conversion efforts. For further discussion, please see agency-wide issue regarding database conversion.

DP 2 - Board of Environ. Review Base Adjustments - The executive is requesting funds for Board of Environmental Review per diem and travel costs to bring the zero-based per diem amount for board members back to the same level as the current biennium, as well as provide increased travel expenses for board members due to anticipated changes in the makeup of the board. This proposal also provides for a small increase in indirect costs, in proportion to the increased per diem costs.

DP 27 - IT Positions To CMP - The executive is requesting to transfer 6.50 FTE and include proprietary funding of \$594,086 for the 2003 biennium in the Central Management Program. The purpose of the transfer is to increase efficiencies and provide centralized management of information technology (IT) activities. This decision package moves the positions from programs 20, 30, 40 and 50 into program 10. This request does not increase funding. This request would increase the department's indirect cost rate.

DP 33 - Additional Legal Staff - The executive is requesting 1.0 FTE and \$118,430 general fund in the 2003 biennium for an attorney to address an increased workload. This attorney would help with the enforcement case workload and cases derived from court actions and provide responses on various legal issues.

DP 43 - Data Storage System - The executive is requesting \$192,000 in proprietary fund authority for the 2003 biennium to provide a data storage array system for the department. The department's data growth rate has been approximately 100 percent per year. As of March 1, 2000, the department had 14 network servers with a total of 741 gigabytes of storage. New database technologies, document imaging, geographic information systems, and other applications are currently being implemented and could significantly increase the data storage growth rate. A long-term savings could possibly be realized as servers with less individual storage could be purchased.

**LFD
ISSUE**

The legislature may wish to require that the agency document efficiencies gained from the data base conversion efforts. Please see the agency-wide issue regarding database conversion for further discussion

DP 44 - Software Upgrades - The executive is requesting proprietary funds to provide software upgrades to support staff and to maintain existing department software for upgrades and replacement.

**LFD
COMMENT**

It appears that several of the requested software packages have functionality overlaps. With different types and brands of software that do similar things, training may become an issue.

DP 46 - DEQ Database Development-Biennial - The executive is requesting a restricted, biennial general fund appropriation to continue the department's database development consolidation project started during the previous biennium. The department contends that development of such a system would reduce the redundancy associated with maintaining several project-level databases, increase overall efficiency by centralizing many database maintenance tasks, and provide the means for increased access to department information.

**LFD
ISSUE**

The 1999 legislature appropriated \$250,000 for this same purpose. That appropriation was restricted and designated as one-time only. The executive is recommending that this appropriation be restricted. If the legislature approves this decision package, spending should also be designated as one-time only. For further discussion, please see the agency-wide issue on database development.

**LFD
ISSUE**

The legislature may wish to require that the agency document efficiencies gained from the data base conversion efforts. Please see the agency-wide issue regarding database conversion for further discussion

**LFD
ISSUE**

Since other information technology functions are requested to be centralized (see DP 27 above and proprietary rate explanation below), this project could also be a candidate for centralization. Rather than utilize general fund to support this function, the legislature could incorporate this function within the proprietary account and increase the rate charged to other programs in the department.

DP 57 - Legal Challenges - The executive is requesting a restricted, biennial appropriation of \$200,000 general fund to respond to a variety of legal challenges to the department's permitting and bonding actions. This funding would be used to hire outside expert legal services. The authority would be used for 1) cases that require specialized legal counsel; 2) minimizing the cost when a short hearing is a long distance away; 3) large complex cases that would take time away from regular caseload; and 4) cases that require local counsel.

**LFD
ISSUE**

By funding this decision package with general fund, the executive assumes that all programs that would use this source are funded with general fund. This is likely not the case. The legislature may wish to require the department to explore methods of charging other funding sources for the service in the receiving programs.

Language Recommendations

The executive is recommending the following HB 2 language:

"Item 1a includes a biennial/restricted appropriation of \$250,000 general fund for database development."

"Item 1b is a biennial appropriation for legal challenges."

Proprietary Rates

Program Description

The department has one proprietary fund, which is an internal service fund used to account for the department's indirect cost activity. The indirect pool consists of expenditures from the Director's Office, Personnel and Legal units, Central Services Administration, and the Fiscal Management, Contracts and Procurement, Systems Solutions, and Systems Administration Bureaus.

Revenues and Expenses

Changes in provision of services or level of fees - The department anticipates negotiating an indirect cost rate with the U.S. Environmental Protection Agency (EPA) of approximately 24 percent in fiscal 2002 and fiscal 2003. Revenues generated by the current indirect cost rate fund 42.0 FTE. The department's requested rate contains funding for 2.00 FTE that were authorized by the 1999 legislature. In addition, the department has submitted a present law proposal to increase the FTE in the Central Management Program and reduce the FTE in the other divisions by 6.50 information technology (IT) positions. These positions will be transferred from other department programs to the Systems Solutions and Systems Administration Bureaus. The costs associated with the 6.50 FTE represent approximately 2 percent of the total proposed indirect cost rate of 24 percent.

Working Capital

The table in the reference section shows that the department must maintain an average working capital balance of approximately \$485,000 to meet its current obligations. Working capital is not directly factored into the indirect cost rate. The indirect cost rate is determined based on guidelines prescribed by the federal government. Refer to the section on rate explanation for further details. The department must maintain enough working capital to meet its immediate cash needs to cover payroll and various operating costs. Refer to the cash flow discussion below for specific cash needs.

Fund Equity

The department does not reserve a fund balance on the accounting records nor does it try to maintain a fund balance. The revenues generated should be enough to cover the current year's operations. However, due to timing factors, the fund balance does not always equal zero.

As shown in the table, the ending retained earnings for fiscal 2000 was \$151,529. The retained earnings balance increased between fiscal 1999 and fiscal 2000 due to a change in how the indirect rate was calculated from previous

years. The rates negotiated with EPA for fiscal 2000 and fiscal 2001 were based on the budget for those years. The rates prior to fiscal 2000 were based on actual expenditure data from the most recent complete fiscal year at the time the indirect proposal was submitted to EPA. Because the rate in fiscal 2000 was based on budgeted amounts, it was difficult to predict how much of the budget would be spent during the fiscal year. As a result, the department had a slight over-recovery. This over-recovery will be taken into account when the department negotiates its rate with EPA.

As noted in other sections of this narrative, it is necessary for the department to have adequate working capital and cash on hand to meet its immediate cash needs. This working capital is reflected in the ending Retained Earnings balance. In addition, the department does have contributed capital in its proprietary account of \$270,000, which is a result of the agency reorganization mandated by the 1995 Legislature.

Rate Explanation

The department negotiates an annual indirect cost rate with EPA. The approved rate is a fixed rate. This rate is applied against the personal services charged within each division of the department, other than the Central Management Program.

The department is requesting an increase in its indirect cost rate from the 23 percent approved in the last legislative session to 24 percent. The proposed one percent increase would fund the transfer of 6.50 FTE from other department programs to the Central Management Program in an effort to centralize the information technology function of the department and fund 2.0 FTE that were authorized by the 1999 legislature, but remain vacant. In addition, the rate increase includes base adjustments, equipment, and software upgrades.

In fiscal 2000, the department changed the methodology used to calculate its indirect cost rate in order to more closely reflect future indirect cost activities. The fiscal 2000 and fiscal 2001 rates negotiated with EPA were based on the budget approved by the 1999 Legislature for the Central Management Program via their approval of a 23 percent indirect cost rate. The rates negotiated with EPA prior to fiscal 2000 were based on actual expenditure data for the most recent complete fiscal year at the time the indirect proposal was submitted to EPA. Either method used still requires a carry-forward amount be built into the rate. This carry-forward amount represents the amount the department either under-recovered or over-recovered in a given year. This computation compares what was initially negotiated versus what actually occurred. This difference is then carried forward into the following year's rate.

The department's indirect cost rate is determined based on guidelines prescribed by the federal government. In addition, the department complies with 17-3-111, MCA, which requires agencies to negotiate a rate that would recover indirect costs to the fullest extent possible. In order to comply with this law, the department has requested a rate that may vary slightly from the rate the department actually negotiates with EPA. The rate approved by the Legislature is considered a cap and therefore, the department cannot negotiate for a rate higher than what has been approved by the legislature. However, the rate negotiated with EPA may be slightly lower.

Report on Internal Service & Enterprise Funds, 2003 Biennium

Fund Number	Fund Name	Agency Number	Agency Name	Program Name
06509	DEQ Indirects	5301	Department of Environmental Quality	

Fund Balance Information

	FY96	FY97	FY98	FY99	FY00	Estimated FY01	Estimated FY02	Estimated FY03
Beginning Retained Earnings	561,725	294,650	58,455	(301)	14,118	151,529	137,763	137,763
Increases								
Fee Revenue	1,023,676	1,005,312	1,324,354	1,383,709	1,543,756	1,620,997	2,004,137	1,893,402
Investment Earnings	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-
Miscellaneous, operating	-	-	-	6,723	1,088,984	993,515	1,392,706	1,315,754
Miscellaneous, other	837,553	674,564	811,228	894,948	-	-	-	-
Total Increases	1,861,229	1,679,876	2,135,582	2,285,380	2,632,740	2,614,512	3,396,843	3,209,156
(Decreases)								
Personal Services	1,397,731	1,374,925	1,419,257	1,624,247	1,679,310	1,846,294	2,138,064	2,149,830
Operations	435,361	496,867	682,591	644,650	742,135	781,984	1,258,779	1,059,326
Transfers Out	-	-	-	-	-	-	-	-
Miscellaneous, operating	-	-	-	-	-	-	-	-
Miscellaneous, other	-	914	25,964	-	-	-	-	-
Total Decreases	1,833,092	1,872,706	2,127,812	2,268,897	2,421,445	2,628,278	3,396,843	3,209,156
Adjustments to Beginning Retained Earnings	(295,212)	(43,365)	(66,526)	(2,064)	(73,884)	-	-	-
Ending Retained Earnings	294,650	58,455	(301)	14,118	151,529	137,763	137,763	137,763
Total Contributed Capital	242,108	295,568	269,231	270,708	270,708	270,708	270,708	270,708
Total Fund Equity	536,758	354,023	268,930	284,826	422,237	408,471	408,471	408,471
Unreserved Fund Balance								
60 Days of Expenses (i.e. total of personnel services, operations, and miscellaneous operating divided by 6)	305,515	311,965	350,308	378,150	403,574	438,046	566,141	534,859

Fee/Rate Information for Legislative Action:

-----Estimated-----

Requested Rates for Internal Service Funds	18.16%	16.72%	19.50%	18.92%	20.70%	20.30%	24.00%	24.00%
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Significant Present Law

The department submitted a present law proposal to transfer 6.50 FTE each year from programs 20, 30, 40, and 50 to program 10. In an effort to increase efficiencies and provide centralized management of information technology (IT) activities, the department is moving these activities into the Systems Solution Bureau and Systems Administration Bureau in the Centralized Services Division. The request is not for increased funding. This request will, however, increase the department's indirect rate.

The amount being transferred by this proposal is \$301,066 and \$285,916 for fiscal 2002 and fiscal 2003, respectively. This includes personal service costs, as well as operating costs associated with these positions. These costs represent 2 percent of the total indirect cost rate of 24 percent. There is no effect on the unreserved fund balance.

Program Proposed Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003	Total Exec. Budget Fiscal 02-03
FTE	90.54	4.00	11.00	105.54	4.00	11.00	105.54	105.54
Personal Services	3,418,419	569,569	363,560	4,351,548	591,211	355,162	4,364,792	8,716,340
Operating Expenses	3,670,135	2,215,955	2,405,149	8,291,239	1,784,661	2,387,936	7,842,732	16,133,971
Equipment	65,085	100,000	40,000	205,085	0	40,000	105,085	310,170
Grants	39,507	(39,507)	0	0	(39,507)	0	0	0
Transfers	0	0	0	0	0	0	0	0
Total Costs	\$7,193,146	\$2,846,017	\$2,808,709	\$12,847,872	\$2,336,365	\$2,783,098	\$12,312,609	\$25,160,481
General Fund	1,747,869	590,169	171,502	2,509,540	581,926	171,200	2,500,995	5,010,535
State/Other Special	911,584	162,241	0	1,073,825	157,264	0	1,068,848	2,142,673
Federal Special	4,533,693	2,093,607	2,637,207	9,264,507	1,597,175	2,611,898	8,742,766	18,007,273
Total Funds	\$7,193,146	\$2,846,017	\$2,808,709	\$12,847,872	\$2,336,365	\$2,783,098	\$12,312,609	\$25,160,481

Program Description

The division 1) monitors air and water quality conditions and trends, and assesses sources and severity of pollution problems; 2) works in the areas of air quality, water quality, land conservation, and energy efficiency to find ways to prevent pollution before it occurs; 3) provides planning for energy, watershed, air-shed, and solid and hazardous waste management; 4) helps develop water Total Maximum Daily Loads (TMDL); 5) coordinates department positions on environmental legislation, proposes rules and policy, and develops environmental protection criteria; 6) provides economic modeling and analysis; 7) finances energy retrofits of public buildings, as well as construction and improvement of community drinking water and wastewater systems; and 8) provides technical assistance, education, and outreach regarding energy efficiency, occupational health, indoor air quality and radon. The division consists of the: Monitoring and Data Management, Pollution Prevention, Resource Protection Planning, and Technical and Financial Assistance Bureaus.

Funding

This division is funded from general fund and numerous sources of state and federal special revenue. Specific funding sources for the division are shown in Table 4. The primary state special revenue funding sources are from air quality operating permit fees set by the Board of Environmental Quality according to 75-2-220, MCA, and 26 percent of interest earnings from the resource indemnity trust deposited in the Hazardous Waste/CERCLA account. General fund is used primarily for the TMDL program (35.3 percent), resource planning and prevention (19.1 percent), and administration (13.4 percent). The remainder is spread among a number of program functions.

The largest federal funding sources are the EPA performance partnership grant, which is a block grant to fund a wide-range of environmental activities; non-point source pollution control funding, a portion of which is used to fund the TMDL program; EPA funding from the clean water action plan for non-point source pollution control; and allowable administrative costs for the drinking water state revolving fund. The 1997 legislature moved most of the federal non-point source pollution funds from this division to the Department of Natural Resources and Conservation. However, due to executive reorganization, these funds are appropriated in this division.

Table 4 Environmental Quality Planning, Prevention, & Assistance						
	Actual FY 2000	Percent of Total	Executive Request FY 2002	Percent of Total	Executive Request FY 2003	Percent of Total
General Fund	\$ 1,747,869		\$ 2,509,540		\$ 2,500,995	
Subtotal -- General Fund	\$ 1,747,869	24.30%	\$ 2,509,540	19.53%	\$ 2,500,995	20.31%
Hazardous Waste-Cercla	\$ 112,105		\$ 160,742		\$ 160,494	
Solid Waste Management Fee	61,838		69,130		68,679	
Air Quality - Operating Fees	549,199		584,524		580,631	
ARCO	2,305		30,405		30,405	
Agriculture Monitoring	3,911		5,000		5,000	
NPDES Permit Program	67,642		89,937		89,030	
GO94B/Ban 93D Adm. General Oblig. Bond:	54,602		77,290		77,599	
Misc. State Special Revenue	<u>59,982</u>		<u>56,797</u>		<u>57,010</u>	
Subtotal -- State Special Revenue	\$ 911,584	12.67%	\$ 1,073,825	8.36%	\$ 1,068,848	8.68%
Energy/FSD	478,298		992,422		974,458	
EPA/Drinking Water SRF	193,262		622,253		595,086	
Ambeint Air Monitoring	-		250,784		249,099	
EMAP Grant	-		180,444		175,869	
Wastewater Treatment Grant	273,227		412,654		410,193	
NPS Implementation Grant	1,210,463		3,586,770		3,565,213	
EPA PPG	1,395,358		1,503,174		1,494,927	
Wetlands Grant	260,631		358,901		355,478	
EPA/ One Stop Program	-		450,000		-	
EPA Water Quality 205J	205,495		270,908		288,111	
EPA- Construction Grants	250,445		572		21	
EPA-St. Rev. Fnd.-Drinking Water 1998 Gra	266,514		10,736		10,769	
Drinking Water St. Revol. Fund 99	-		564,896		566,868	
MDOT-STIP/TMDL	-		59,993		56,674	
Subtotal -- Federal	\$ 4,533,693	63.03%	\$ 9,264,507	72.11%	\$ 8,742,766	71.01%
Total Funding	<u>\$ 7,193,146</u>	100.00%	<u>\$ 12,847,872</u>	100.00%	<u>\$ 12,312,609</u>	100.00%

Present Law Adjustments										
-----Fiscal 2002-----					-----Fiscal 2003-----					
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds	
Personal Services				540,661						563,064
Vacancy Savings				(108,949)						(109,621)
Inflation/Deflation				9,360						15,801
Fixed Costs				34,336						35,830
Total Statewide Present Law Adjustments				\$475,408						\$505,074
DP 1 - TMDL-Total Maximum Daily Load Pgrm	6.00	353,446	0	190,317	543,763	6.00	330,473	0	177,947	508,420
DP 3 - Base Adjustment To Administration	0.00	17,196	2,684	9,541	29,421	0.00	15,340	2,395	8,511	26,246
DP 4 - Base Adj To Resource Protection Plan	0.00	68,226	(64,066)	154,140	158,300	0.00	65,110	(65,464)	147,102	146,748
DP 5 - Base Adj To Pollution Prevention	0.00	7,678	10,736	627,870	646,284	0.00	6,776	8,814	599,147	614,737
DP 6 - Base Adj To Tech & Fin Assistance	0.00	24,446	0	298,913	323,359	0.00	23,696	0	287,081	310,777
DP 7 - Base Adj To Monitoring & Data Mgmt	0.00	62,605	50,001	89,694	202,300	0.00	65,439	48,130	84,865	198,434
DP 28 - Move IT Positions To Central Mgmt Prgm	(2.00)	(8,340)	(6,960)	(85,061)	(100,361)	(2.00)	(7,912)	(6,603)	(80,693)	(95,208)
DP 45 - One Stop Grant For Information Tech	0.00	0	0	450,000	450,000	0.00	0	0	0	0
DP 60 - Source Water Assessment-SRF	0.00	0	0	100,000	100,000	0.00	0	0	100,000	100,000
DP 69 - SRF Special Administration Account	0.00	0	0	0	0	0.00	0	0	0	0
DP 77 - Lease Vehicles	0.00	0	3,714	13,829	17,543	0.00	0	4,417	16,720	21,137
Total Other Present Law Adjustments				\$2370,609	4.00	\$498,922	(\$8,311)	\$1,340,680	\$1,831,291	
Grand Total All Present Law Adjustments				\$2,846,017						\$2,336,365

Executive Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget included in the executive present law. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items will be applied globally to all agencies. A description of each item is included in the "Agency Budget Analysis Roadmap" section that begins this volume. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 1 - TMDL-Total Maximum Daily Load Program - The executive is requesting 6.0 FTE and \$1,052,183 for the 2003 biennium to accelerate the development of total maximum daily loads (TMDLs) to meet the statutory deadline of 2007. The 6.0 FTE include: 1.0 FTE to administer the federal non-point source grant program, another 2.0 FTE watershed coordinators for the Columbia Basin and Upper Missouri watersheds, 2.0 FTE monitoring specialists for those watersheds, and 1.0 FTE data manager/field technician to manage the stream monitoring data from water bodies. The department must complete TMDLs for over 860 water bodies by 2007. The department received staffing and resources from the 1997 and 1999 legislatures to develop a TMDL program and work towards meeting the 2007 deadline. Over the first four years of the program, the department developed methods to list, de-list, and prioritize water bodies for TMDL development. The department also completed 128 point source TMDLs and four non-point source TMDLs. The additional staff would perform monitoring, modeling, and assessment duties and provide technical and financial support to local conservation districts and watershed advisory groups to develop water restoration plans and TMDLs.

LFD COMMENT

The department has been asked to supply a "master plan" for the TMDL program from which the department can quantify goals achieved and overall direction for the program. Please see the agency-wide issue on the TMDL program.

DP 3 - Base Adjustment To Administration - The executive is requesting funding of \$55,667 in the 2003 biennium for indirect cost increases in the adjusted base budgets for fiscal 2002 and fiscal 2003.

DP 4 - Base Adjustment To Resource Protection Plan - The executive is requesting a base budget adjustment for the Resource Protection Planning Bureau and to fund increased operating costs due to higher rates for in-state lodging and indirect charges.

DP 5 - Base Adjustment To Pollution Prevention - The executive is requesting \$634,136 in fiscal 2002 and \$614,737 in fiscal 2003 to re-establish the base budget for the Pollution Prevention Bureau. The base budget contains a deficit in operating expenditures because of staff turnover and resulting vacancies, and delays in hiring new FTE that were allocated for fiscal 2000. The environmental protection agency did not approve the source water protection program that is part of the new drinking water state revolving fund as quickly as expected. This caused delays in hiring new staff to work on the program and delayed contracting for services under the program. In addition, staff vacancies in other programs resulted in fewer contracts being awarded under other federal environmental and energy efficiency programs.

DP 6 - Base Adjustment To Technical & Financial Assistance - The executive is requesting \$323,359 in fiscal 2002 and \$310,777 in fiscal 2003 to re-establish the base budget for the Technical and Financial Assistance Bureau. The base budget contains a deficit in operating expenditures because of staff turnover and delays in contract implementation. This base adjustment also contains contracted services in the amount of \$100,000 for technical assistance to public water supplies for managerial and financial capacity development.

DP 7 - Base Adjustment To Monitoring & Data Management - The executive is requesting \$202,300 in fiscal 2002 and \$198,434 in fiscal 2003 to re-establish the base budget for the Monitoring and Data Management Bureau and to fund increased operating costs, including: 1) higher rates for in-state lodging and indirect charges; 2) safety improvements and maintenance requirements at air monitoring sites; 3) increased administrative support; 4) transfer of smoke management program responsibilities from another department bureau; 5) increased contracted services costs for a largely privately-sponsored Clark Fork monitoring program; and 6) replacement of currently owned vehicles with state motor pool leased vehicles.

**LFD
ISSUE**

The previous five decision packages all request "base adjustments." For a further discussion, see the "Agency Issues" section of the agency overview.

DP 28 - Move IT Positions To Central Management Program - The executive is requesting a negative adjustment of \$195,569 for the 2003 biennium to reflect transfer of 2.0 FTE to the Central Management Program. The department states it is moving the positions to increase efficiencies and provide centralized management of information technology (IT) activities.

**LFD
ISSUE**

For a discussion of this consolidation, see the Central Management Program section.

DP 45 - One Stop Grant For Information Technology - The executive is requesting a biennial appropriation of \$450,000 to enhance environmental information through information technology activities. The one-stop federal grant is furnished to those states that have demonstrated an initiative and the capability to further the goals of the environmental protection agency (EPA) in regard to information technology. The goals of the one stop program are to consolidate, catalogue regulated entities, and provide for data sharing with other government agencies and the public. This grant would provide the Montana Department of Environmental Quality with additional resources to enhance on-going data conversions of air, water and waste databases into an "enterprise" Oracle environment.

**LFD
ISSUE**

The department has been awarded the one-stop grant to help develop the enterprise database. Through centralization of data processing functions and their corresponding efficiencies, the legislature could reduce general fund expenditures in the central management program and replace it with this source of federal special revenue.

The legislature may wish to consider designating the expenditures as one-time-only to reflect the one-time nature of the grant. Please see agency-wide issue regarding database conversion.

DP 60 - Source Water Assessment-SRF - The executive is requesting \$200,000 federal funds for the 2003 biennium to provide technical assistance and administration of the source water program. The source water protection program is authorized under the 1996 amendments to the federal safe drinking water act. This act allows for an annual set-aside to provide technical assistance and administration of the source water program from the drinking water state revolving fund.

DP 69 - SRF Special Administration Account - The executive is requesting a language appropriation of \$100,000 to use funds from the special administration account. The two state revolving funds, drinking water and water pollution control, are designed to continue to revolve after capitalization from the environmental protection agency (EPA) is complete. The four percent loan repayment paid by borrowers includes 0.75 percent to cover administration of loans made from these repayments. With direction from the EPA, the Department of Environmental Quality (DEQ) has begun to fund loans out of these repayments. These loans are in addition to loans funded out of the capitalization funds received from EPA. Administration costs for each should come from the appropriate funding source. That is, administration costs for loans made from EPA capitalization funds should be paid from those capitalization funds, and administration costs for loans made from payments should be paid from the pool of repaid funds. This proposal requests spending authority for administration costs from repaid loans.

**LFD
ISSUE**

The executive should be able to calculate the amount and number of anticipated loans. The anticipated amount should be requested in HB 2 along with other budget items. The legislature could then restrict spending to the revolving loan program.

DP 77 - Lease Vehicles - The executive is requesting \$38,680 in the 2003 biennium to replace owned vehicles with leased vehicles. The division currently owns a minivan, pickup, and two sedans. Average mileage on these vehicles is over 150,000. The office of budgeting and program planning has directed that aging vehicles be replaced with motor pool leases rather than purchasing replacements.

**LFD
ISSUE**

If DP 2 and DP 7 are not approved, the legislature can reduce this request by one leased vehicle.

New Proposals										
Program	-----Fiscal 2002-----					-----Fiscal 2003-----				
	FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
DP 2 - TMDL Quality Assurance Quality Control										
20	2.00	0	0	55,151	55,151	2.00	0	0	43,811	43,811
DP 3 - TMDL/Transportation Improvement										
20	1.00	0	0	59,993	59,993	1.00	0	0	56,674	56,674
DP 5 - Nonpoint Source Supplemental Funding										
20	1.00	0	0	1,928,973	1,928,973	1.00	0	0	1,928,973	1,928,973
DP 6 - State Energy Program Special Projects										
20	0.00	0	0	200,000	200,000	0.00	0	0	200,000	200,000
DP 7 - Environmental Monitoring and Assess										
20	1.00	0	0	180,444	180,444	1.00	0	0	175,869	175,869
DP 11 - Technical Assistance to Tribal Air Program										
20	2.00	0	0	108,464	108,464	2.00	0	0	103,772	103,772
DP 13 - NRIS Core Funding										
20	0.00	8,900	0	16,000	24,900	0.00	8,900	0	16,000	24,900
DP 25 - Technical Assistance-NP										
20	(1.00)	0	0	(162,602)	(162,602)	(1.00)	0	0	(162,300)	(162,300)
DP 26 - Wastewater Technical Assistance-PL										
20	1.00	162,602	0	0	162,602	1.00	162,300	0	0	162,300
DP 59 - PM 2.5 Monitoring										
20	3.00	0	0	250,784	250,784	3.00	0	0	249,099	249,099
DP 99 - Modified Level FTE To Current Level										
20	1.00	0	0	0	0	1.00	0	0	0	0
Total	11.00	\$171,502	\$0	\$2,637,207	\$2,808,709	11.00	\$171,200	\$0	\$2,611,898	\$2,783,098

New Proposals

DP 2 - TMDL Quality Assurance Quality Control - The department is requesting 2.0 FTE and \$98,962 federal funds for the 2003 biennium to provide separate quality assurance and quality control functions for all water quality monitoring data collected. This would ensure that data are valid, defensible, and that decisions are based on sufficient credible data. A new leased vehicle for this effort is included in the leased vehicle request. The cost of hiring new FTE includes data network charges, telephone expenses, and computer purchases.

DP 3 - TMDL/Transportation Improvement - The executive is requesting 1.0 FTE and \$116,667 federal funds in the 2003 biennium for the review of projects identified in the state transportation improvement program. The federal funds would be available under the Transportation Efficiency Act of 1997. If approved, the department would hire 1.0 FTE to review and evaluate transportation projects during the early stages of planning to identify projects that may cause significant adverse impacts on water quality or projects that may correct historical damage caused by transportation projects. The FTE would assist MDT to design projects and suggest cost-effective project modifications that can correct past environmental damage and qualify as total maximum daily loads.

DP 5 - Nonpoint Source Supplemental Funding - The executive is requesting 1.0 FTE and \$1,928,973 federal funds per year to continue the appropriation authorized last session to support non-point source grant activities and to increase the appropriation amount in anticipation of additional federal funding. The program is requesting authorization to use the next two annual installments of the federal non-point source grant funds.

Through a competitive process, funding would be made available to conservation districts, local watershed groups, and other organizations for watershed restoration projects. The project sponsors provide the match required for the federal grant. The program also funds 1.0 FTE and associated operating costs to provide non-point source information and education to conservation groups, watershed groups, and other organizations and individuals. The position would also review federal resource management plans for consistency with department water quality objectives for non-point sources.

DP 6 - State Energy Program Special Projects - The executive is requesting \$400,000 for the 2003 biennium for competitive grant applications to the U.S. Department of Energy. Over the past few years, the U.S. Department of

Energy (DOE) has begun to place increasing emphasis on competitive solicitations rather than on population-based formula grants for funding energy programs. If approved, this package would provide funding for Montana to apply for competitive grants targeted for specific activities, technologies, or audiences. Each year the Department of Environmental Quality reviews these solicitations to determine which, if any, are relevant to Montana and consistent with state goals. The department prioritizes options and submits proposals to DOE. Often, the department proposals to DOE involve partnering and cost sharing with other entities such as the Montana Power Company.

DP 7 - Environmental Monitoring and Assess - The executive is requesting 1.0 FTE and \$320,122 federal funds in the 2003 biennium to increase grant amounts for the national water quality monitoring program. Montana has received a federal grant for the state portion of a national water quality monitoring program that is designed to gather chemical, physical, and biological data for approximately 40 randomly selected lakes and streams per year over a five year period (fiscal 2001 through fiscal 2006). The data would be used to assess the accuracy of the environmental protection agency's existing stream reach files, determine the overall condition of national and Montana waters, identify reference streams that can be used to develop nutrient and biological standards, and establish a baseline for evaluating future trends in water quality. Most of the equipment budgeted is specific to the needs of collecting monitoring data. A leased vehicle is included in the leased vehicle proposal. The department would hire 1.0 FTE to manage the project and three contractors would be hired seasonally to assist with field activities.

**LFD
COMMENT**

The 1999 legislature authorized \$55,000 in each year of the biennium for this purpose.

**LFD
ISSUE**

If this DP is not approved, the legislature should reduce DP77 by one leased vehicle that was included in this package.

DP 11 - Technical Assistance to Tribal Air Program - The executive is requesting 20 FTE and \$212,236 in the 2003 biennium to use a federal grant to provide technical assistance to the air quality monitoring programs of the Blackfeet, Northern Cheyenne, Fort Peck, and Confederated Salish and Kootenai tribes. The proposed work is similar to department efforts on behalf of the local monitoring programs of Montana counties. The work would consist of supplying and weighing air filters, training tribal personnel, repairing tribal equipment, performing quality assurance on the data, and submitting the data to the tribes, the environmental protection agency (EPA) and the EPA aerometric and information retrieval system data bank. The supported monitoring consists of eight high volume air filter sites, two continuous air filter sites, and four meteorological sites. The cost of hiring 2.0 FTE includes data network charges, telephone expenses, and a computer purchase.

DP 13 - NRIS Core Funding - The executive is requesting additional funding of \$24,900 per year for the Planning, Prevention and Assistance Division's share of funding of the Montana State Library Natural Resource Information System (NRIS). This request for additional funding is the result of a three-year average use of NRIS by several departments.

**LFD
ISSUE**

For a discussion of NRIS funding and related issues, please see the Montana State Library discussion in Section D of this Volume (Volume 4). Decisions made on NRIS funding in that agency may affect this decision package.

DP 25 - Technical Assistance - This funding switch of \$324,902 in the 2003 biennium is for wastewater technical assistance. The Technical and Financial Assistance Bureau receives funds from the EPA for activities directly related to administration of the water pollution control State Revolving Fund Program (SRF). The engineering staff performing this work represents the primary expertise within the department for wastewater treatment, especially in mechanical

treatment systems and new technologies. Because of this expertise, the department historically has relied on this staff for services not related to SRF, such as assistance in evaluating enforcement actions, participation in non-degradation and standards deviation determinations, technical assistance, and troubleshooting. Non-SRF work was paid for out of leftover state funding from the old construction grants program of the EPA. The leftover state funds would be depleted by the end of the 2001 biennium, thus leaving the bureau with no available funding with which to conduct these non-SRF activities. The department believes it would be more cost-effective to provide funding for existing staff to perform these services, rather than to hire additional staff with this expertise.

DP 26 - Wastewater Technical Assistance - The executive is requesting a funding shift of \$324,902 from federal special revenue to general fund in the 2003 biennium for the waste water technical assistance. The technical and financial assistance bureau receives funds from the environmental protection agency (EPA) for activities directly related to administration of the water pollution control state revolving fund program (SRF).

LFD ISSUE

Approving DP's 25 and 26 would increase general fund spending by \$324,902 over the biennium. By proposing to use general fund for this program the department assumes that all of the programs that use these services are funded only with general fund dollars. Since that is likely not the case, and statute does not require the department to do the additional consulting work, the legislature may wish to direct the department to utilize one of the following options in an effort to reduce general fund spending:

- 1) Establish a proprietary fund within the program. Users of the services would be charged according to the amount of service provided. Rates for the proprietary fund would be approved by the legislature.
- 2) Appropriate proportionate amounts of federal and state special revenue based upon past utilization of the engineer's expertise for non-SRF projects.
- 3) Use existing sources of federal income to fund these activities.

DP 59 - PM 2.5 Monitoring - The executive is requesting \$499,883 in federal appropriation authority and 3.0 FTE for air pollution monitoring of fine particulates. This program was authorized as a one-time expenditure in the 2001 biennium by the 1999 legislature. The federal PM 2.5 grant would continue at approximately its present level, but Montana must continue to administer a fine particulate monitoring program. The federal grant supports the requested 3.0 FTE.

LFD ISSUE

The executive has requested that spending be restricted. If it is the legislature's intent to continue this program through the 2003 biennium, the legislature should designate the appropriation as one-time only.

DP 99 - Modified Level FTE To Current Level - The executive is requesting a transfer of operational authority of \$84,591 in the 2003 biennium to create 1.0 FTE for a wetlands grants manager. The EPA asked DEQ to increase oversight of the wetland conservation grants and agreed to furnish funding for a position to provide that oversight in 1997. Funding has been provided consistently the past few years and is anticipated to be ongoing. Funding is requested at the incumbent's current market ratio and longevity rather than at entry level.

Language Recommendations

The executive is recommending the following HB 2 language:

"Item 2a includes a restricted federal special revenue appropriation of \$250,784 in fiscal year 2002 and \$249,099 in fiscal year 2003 for the fine particulate monitoring program."

"Item 2b contains a biennial/one-time-only federal special revenue appropriation of \$450,000 for the one stop grant."

"The department is authorized to spend up to \$100,000 from the SRF special administration account in the pollution control and/or the drinking water revolving fund loan program. The department is to use funds from the special administration account for the second round (repaid) loans, if the funds become available."

Program Proposed Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003	Total Exec. Budget Fiscal 02-03
FTE	17.25	(0.50)	0.00	16.75	(0.50)	0.00	16.75	16.75
Personal Services	697,088	15,807	0	712,895	18,939	0	716,027	1,428,922
Operating Expenses	331,235	59,184	0	390,419	47,283	0	378,518	768,937
Total Costs	\$1,028,323	\$74,991	\$0	\$1,103,314	\$66,222	\$0	\$1,094,545	\$2,197,859
General Fund	501,560	42,509	0	544,069	30,580	0	532,140	1,076,209
State/Other Special	170,063	11,319	0	181,382	12,352	0	182,415	363,797
Federal Special	356,700	21,163	0	377,863	23,290	0	379,990	757,853
Total Funds	\$1,028,323	\$74,991	\$0	\$1,103,314	\$66,222	\$0	\$1,094,545	\$2,197,859

Program Description

The Enforcement Division is the central control for activities designed to facilitate the enforcement of the statutes and regulations administered by the department. The division develops department enforcement policies and procedures for approval by the director and ensures they are implemented in a consistent manner across the department. The division maintains a citizen complaint clearinghouse and information tracking system. The division coordinates the legal and technical aspects of enforcement cases, both administrative and judicial, and monitors violators to determine compliance with department orders.

Funding

Specific funding sources for the division are shown in Table 5. This division is funded primarily with general fund and federal funds, with minor amounts of various state special revenue sources that allow enforcement activity.

Table 5 Environmental Quality Enforcement						
	Actual FY 2000	Percent of Total	Executive Request FY 2002	Percent of Total	Executive Request FY 2003	Percent of Total
General Fund	\$ 501,560		\$ 544,069		\$ 532,140	
Subtotal -- General Fund	\$ 501,560	48.77%	\$ 544,069	49.31%	\$ 532,140	48.62%
UST Leak Prevention Program	\$ 53,285		\$ 57,469		\$ 57,797	
Environmental Quality Protection	4,628		4,878		4,905	
Air Quality - Operating Fees	54,598		58,939		59,275	
Public Drinking Water	15,553		16,528		16,621	
NPDES Permit Program	38,225		38,255		38,473	
Reclamation and Development	3,774		5,313		5,344	
Subtotal -- State Special Revenue	\$ 170,063	16.54%	\$ 181,382	16.44%	\$ 182,415	16.67%
DEQ- Federal AML Grant	\$ -		\$ 11,865		\$ 11,905	
DSL Federal SL Reclamation Grant	19,953		20,045		20,159	
LUST/ Trust	34,088		36,971		37,182	
NPS Implementation Grant	57,613		61,055		61,402	
EPA Performance Partnership Grant	245,046		247,927		249,342	
Subtotal -- Federal	\$ 356,700	34.69%	\$ 377,863	34.25%	\$ 379,990	34.72%
Total Funding	<u>\$ 1,028,323</u>	100.00%	<u>\$ 1,103,314</u>	100.00%	<u>\$ 1,094,545</u>	100.00%

Present Law Adjustments									
-----Fiscal 2002-----					-----Fiscal 2003-----				
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services				58,349					61,691
Vacancy Savings				(20,831)					(20,958)
Inflation/Deflation				1,399					2,413
Fixed Costs				5,288					5,910
Total Statewide Present Law Adjustments				\$44,205					\$49,056
DP 8 - Enforcement Division Base Adjustment									
0.00	59,038	0	0	59,038	0.00	44,501	0	0	44,501
DP 29 - IT Positions To CMP - Pgm 30									
(1.00)	(25,305)	(9,241)	(18,646)	(53,192)	(1.00)	(24,909)	(9,096)	(18,354)	(52,359)
DP 35 - Legal Staff Changes - PGM 30									
0.50	0	4,333	20,607	24,940	0.50	0	4,348	20,676	25,024
Total Other Present Law Adjustments									
(0.50)	\$33,733	(\$4,908)	\$1,961	\$30,786	(0.50)	\$19,592	(\$4,748)	\$2,322	\$17,166
Grand Total All Present Law Adjustments				\$74,991					\$66,222

Executive Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget included in the executive present law. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items will be applied globally to all agencies. A description of each item is included in the "Agency Budget Analysis Roadmap" section that begins this volume. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 8 - Enforcement Division Base Adjustment - The executive is requesting \$103,539 general fund over the 2003 biennium to adjust funding for operating increases resulting from the reclassification of an existing FTE to a technical position. This reclassification will increase operating, lab analysis, and travel costs. The division also requests additional contracted, consulting and legal services, expert witness fees, and process server charges due to increased workload.

LFD ISSUE

This decision package requests, "base adjustments." For a further discussion, see the "Agency Issues" section of the agency overview.

DP 29 - IT Positions To CMP - Program 30 - The executive is requesting to transfer funding for 1.0 FTE from the Enforcement Division to the Central Management Program. DEQ continues to refine its internal structure since the department was organized by the 1995 legislature. To increase efficiencies and provide centralized management of information technology (IT), the department is moving IT services into the new IT bureau located within the Centralized Services Division.

LFD ISSUE

For a discussion of this consolidation, see the Central Management Program section.

DP 35 - Legal Staff Changes - PGM 30 - This request would establish 0.5 FTE and \$49,964 in numerous state special and federal special revenue sources in the 2003 biennium to address enforcement cases. The Enforcement Division used an increased number of attorney hours (the equivalent of 3.0 FTE) in fiscal 2000. The executive is requesting funding for an additional .50 FTE in order to fund anticipated legal services.

**LFD
COMMENT**

This position is a result of a transfer from program 50 (see DP 37 in program 50).

Program Proposed Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003	Total Exec. Budget Fiscal 02-03
FTE	79.75	4.00	0.00	83.75	4.00	0.00	83.75	83.75
Personal Services	2,589,257	677,783	0	3,267,040	697,636	0	3,286,893	6,553,933
Operating Expenses	6,789,887	1,265,880	472,610	8,528,377	895,451	397,610	8,082,948	16,611,325
Equipment	0	30,000	0	30,000	0	0	0	30,000
Grants	5,894	0	0	5,894	0	0	5,894	11,788
Benefits & Claims	0	3,500,000	0	3,500,000	0	0	0	3,500,000
Total Costs	\$9,385,038	\$5,473,663	\$472,610	\$15,331,311	\$1,593,087	\$397,610	\$11,375,735	\$26,707,046
State/Other Special	2,659,229	4,417,143	158,978	7,235,350	621,492	83,978	3,364,699	10,600,049
Federal Special	6,725,809	1,056,520	313,632	8,095,961	971,595	313,632	8,011,036	16,106,997
Total Funds	\$9,385,038	\$5,473,663	\$472,610	\$15,331,311	\$1,593,087	\$397,610	\$11,375,735	\$26,707,046

Program Description

The Remediation Division is responsible for: 1) overseeing investigation and cleanup activities at state and federal superfund sites; 2) reclaiming abandoned mine lands; 3) regulating, permitting, and licensing underground storage tanks (UST); 4) implementing corrective actions at sites with leaking UST; 5) providing staff support for processing eligibility applications and claims submitted to the Petroleum Tank Release Compensation Board for cleanup funds; and 6) overseeing groundwater remediation at sites where agricultural and industrial chemical spills have caused groundwater contamination. The purposes of these activities are: 1) to protect human health and the environment; 2) prevent exposure of potential human and ecological receptors to hazardous or deleterious substances that have been released to soil, sediment, surface water, or groundwater; and 3) ensure compliance with applicable state and federal regulations. The division works closely with the board, which provides financial assistance for cleanup of petroleum-contaminated leaking UST sites. The board is attached to the Department of Environmental Quality for administrative purposes.

Program Reorganization

Last legislative session, HB 617 revised the makeup of the Petroleum Tank Release Compensation Board and made significant changes in the staffing pattern of the petroleum tank cleanup program. The legislation removed the allowance for the board to hire and pay staff (the department must provide staff support) and requires the board to pay costs of review and processing claims for reimbursement submitted by tank owners and operators. Although the legislation disallowed the board from hiring its own staff, the executive did not request the elimination or transfer of the 10.0 FTE and \$677,033 in personal services appropriated in HB 2 for the Petroleum Tank Release Compensation Board program.

After passage of HB 617, the department moved the board's staff and respective duties into program 40. The board is responsible for administering the petroleum tank release cleanup fund. This includes reimbursement to petroleum storage tank owners and operators for corrective action costs and compensation paid to third parties for bodily injury and property damage as a result of a release of petroleum from a petroleum storage tank. The board is also responsible for responding to and working with private individuals, corporations, other state agencies, the Governor's office, the legislature, federal agencies, and other interested parties with activities relative to petroleum storage tanks. Operating costs for the board are funded by a portion of the \$0.0075 tax on gasoline, diesel, heating oil, and aviation fuel distributed within Montana and are appropriated in HB 2.

Funding

Specific funding sources for the division are shown in Table 6. State special funding sources include: 1) revenue from the \$0.0075 gas tax for petroleum tank cleanup; 2) 9 percent of the state Resource Indemnity Trust (RIT) interest (deposited to the environmental quality protection fund); 3) 8.5 percent of the metalliferous mines and a portion of the resource indemnity and groundwater tax revenues (deposited to the orphan share account); and 4) underground storage tank registration fees.

Federal funding sources include: 1) a federal tax on Montana's coal production of which up to 50 percent is returned to the state for abandoned mine reclamation; 2) money from the U.S. Environmental Protection Agency (including superfund, leaking underground storage tank trust, and performance partnership grants); and 3) money from as of yet unidentified federal entities that may partner with the division in cleanup activities.

	Actual FY 2000	Percent of Total	Executive Request FY 2002	Percent of Total	Executive Request FY 2003	Percent of Total
UST-Installer license & Permit	\$ 63,496		\$ 115,931		116,504	
Petroleum Storage Tank Cleanup	1,302,669		1,788,123		1,641,826	
EMT Certification	3,834		-		-	
BN Activity	142,778		150,302		150,782	
Hazardous Waste-Cercla	189,716		252,971		249,935	
UST Leak Prevention Program	221,289		432,984		367,598	
Misc. State Special Revenue	5,923					
Environmental Quality Protection	623,366		955,445		798,387	
ARCO	2,333		2,436		2,449	
Agriculture Monitoring	9,979		11,173		11,200	
Circle K Remediation	84,685		-		-	
Orphan Share	9,161		3,525,985		26,018	
Subtotal -- State Special Revenue	\$ 2,659,229	28.33%	\$ 7,235,350	47.19%	\$ 3,364,699	29.58%
Underground Storage Tank	\$ 20,711		22,357		22,630	
Superfund Lockwood Solvent Site	-		434,450		377,084	
LUST/ Trust	814,692		1,293,995		1,278,594	
Superfund Core	238,930		285,861		282,756	
Superfund Multi-site	877,850		1,056,600		1,047,665	
EPA Performance Partnership Grant	269,481		310,253		310,958	
AML Special Projects	212,162		215,962		216,133	
Subtotal -- Federal	\$ 6,725,809	71.67%	\$ 8,095,961	52.81%	\$ 8,011,036	70.42%
Total Funding	\$ 9,385,038	100.00%	\$ 15,331,311	100.00%	\$ 11,375,735	100.00%

Present Law Adjustments										
-----Fiscal 2002-----						-----Fiscal 2003-----				
	FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services					614,727					634,656
Vacancy Savings					(87,518)					(88,115)
Inflation/Deflation					4,729					8,523
Fixed Costs					11,593					9,467
Total Statewide Present Law Adjustments					\$543,531					\$564,531
DP 9 - Base Adjustments										
	0.00	0	340,596	99,785	440,381	0.00	0	224,973	98,319	323,292
DP 30 - IT Positions To CSD - Remediation Division										
	(2.00)	0	(58,782)	(29,403)	(88,185)	(2.00)	0	(54,700)	(27,735)	(82,435)
DP 49 - Leaking Underground Storage Tank Trust Fund										
	1.00	0	0	0	0	1.00	0	0	0	0
DP 53 - Cleanup Sites/Lockwood Solvent										
	1.00	0	0	580,450	580,450	1.00	0	0	513,208	513,208
DP 65 - CECRA Staff										
	2.00	0	122,000	0	122,000	2.00	0	112,248	0	112,248
DP 66 - Contracted Services For Legal Support										
	0.00	0	150,000	0	150,000	0.00	0	0	0	0
DP 70 - Petroleum Release Corrective Action Plan										
	2.00	0	122,000	0	122,000	2.00	0	112,248	0	112,248
DP 75 - Replace PCs And Printers										
	0.00	0	29,682	43,804	73,486	0.00	0	20,193	29,802	49,995
DP 79 - LUST Trust Truck Replacement										
	0.00	0	3,000	27,000	30,000	0.00	0	0	0	0
DP 99 - Orphan Share Reimbursements										
	0.00	0	3,500,000	0	3,500,000	0.00	0	0	0	0
Total Other Present Law Adjustments										
	4.00	\$0	\$4,208,496	\$721,636	\$4,930,132	4.00	\$0	\$414,962	\$613,594	\$1,028,556
Grand Total All Present Law Adjustments					\$5,473,663					\$1,593,087

Executive Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget included in the executive present law. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items will be applied globally to all agencies. A description of each item is included in the "Agency Budget Analysis Roadmap" section that begins this volume. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 9 - Base Adjustments - The executive is requesting \$763,673 in the 2003 biennium for base adjustments. These base adjustments are for such things as contracted services, supplies, telephone charges, travel, and training in areas where vacancies have occurred throughout fiscal 2000. These base adjustments would be funded from state and federal special revenue sources.

There have been positions 1) held vacant for a portion of the year to meet the vacancy savings requirements; 2) where recruitment efforts have lagged as position descriptions needed to be updated; or 3) where program priorities precluded acting more quickly. (According to the department, these positions will be filled in the near future). Services that would be provided include educational outreach activities, third party inspections for underground storage tanks, assessment of underground storage tank facilities failing to either upgrade or meet closure requirements, database conversion, and software upgrades. These activities would largely be completed through the use of contracted services.

**LFD
ISSUE**

LFD Issue - Please see agency-wide issue regarding database conversion.

**LFD
ISSUE**

The agency has unfilled positions that are driving these adjustments. The legislature may wish to be updated on the department's recruitment efforts. Please see agency-wide issue regarding base adjustments.

DP 30 - IT Positions To CSD - Remediation Division - The executive is requesting to transfer 2.0 FTE and \$170,620 from the remediation program to the central management program to increase efficiencies and provide centralized management of information technology (IT) activities.

**LFD
ISSUE**

For a discussion of this consolidation, see the Central Management Program section.

DP 49 - Leaking Underground Storage Tank Trust Fund - The executive is requesting to establish 1.0 FTE and funding of \$86,209 through an operational category change for the leaking underground storage tank (LUST) trust. There will be no increase in the funding because the existing modified FTE will be funded through a corresponding reduction in the contracted services budget. This FTE was originally thought to serve a temporary need in the department. However, the department requests that the position be permanent.

DP 53 - Cleanup Sites/Lockwood Solvent - The executive is requesting a \$1,093,658 federal funds biennial appropriation to fund cleanup sites. The Environmental Protection Agency (EPA) is planning to propose or conduct cleanup activities at several sites over the coming biennium. Review and comments on the associated documents fluctuate with the number of projects and the activity levels associated with the various stages of these projects. In order to facilitate management of this fluctuating workload, the division is requesting approval for an aggregate FTE position. The aggregate would only be filled on an as-needed basis.

The division would use aggregate FTE for the following sites in the coming biennium:

- 1) Lockwood Solvent site; and
- 2) Libby Asbestos project

DP 65 - CECRA Staff - The executive is requesting 2.0 FTE related funding to address non-national priority list Comprehensive Environmental Cleanup and Responsibility Act (CECRA, Montana Superfund) sites. If approved, the program would conduct investigations to plan and prioritize future work at these sites. Although these costs would be funded out of Environmental Quality Protection Fund (EQPF) initially, many of the costs would be recovered from responsible parties as these parties are identified during the investigation and cleanup process.

DP 66 - Contracted Services For Legal Support - The executive is requesting a restricted, one-time only, biennial appropriation of \$150,000 from the environmental quality protection fund for contracted legal support for addressing challenges to department orders and additional court actions to achieve cleanup and recover costs at CECRA sites. As remediation activities move forward on these sites, costs are expected to escalate, at a time when EQPF funds are declining. Expenditures on these CECRA sites, including these contracted services for legal support, would be recoverable.

**LFD
COMMENT**

This program is funded in part by the (EQPF). The department references declining funds in EQPF. The EQPF receives funding from the resource indemnity trust. During the last legislative session the percentage of RIT interest going to the EQPF was increased from 7 percent to 9 percent. However, this share is distributed after a number of other programs get a portion of the interest. After the last legislative session some of the programs receiving interest distributions began receiving more money. In addition, two new programs began receiving distributions. Even though there is a higher percentage of interest being distributed to the EQPF, there has been less interest to distribute. This may be one factor that would explain a declining revenue stream in this fund. For a further discussion of the RIT, see the agency narrative section in the Department of Natural Resources and Conservation.

**LFD
ISSUE**

If DP 33 in the central management program is approved, additional legal staff would not be needed.

DP 70 - Petroleum Release Corrective Action Plan - This proposal of 2.0 FTE and \$234,248 state special revenue for the 2003 biennium is for a petroleum release corrective action plan. The FTE would be required to manage a backlog of leaking underground storage tank (LUST) sites.

DP 75 - Replace PCs And Printers - The executive is requesting \$123,481 over the 2003 biennium to purchase replacement personal computers and printers in order to maintain a four-year replacement schedule. The proposal funds replacement of 26 computers in fiscal 2002 and 20 computers in fiscal 2003.

DP 79 - LUST Trust Truck Replacement - The executive is requesting \$30,000 in fiscal 2002 to replace a truck used in the leaking underground storage tank trust (LUST) program. The current agency-owned light truck in the LUST trust program has over 160,000 miles on it. The LUST trust program truck is used to respond to emergency situations involving petroleum contamination across the state. These situations include explosive or toxic vapors in buildings and contaminated public drinking water supplies. The truck contains safety and emergency response equipment enabling staff to respond to emergencies on short notice. This request is for approval to purchase a new 4X4, extended cab, 3/4-ton pickup with a locking top and standard transmission.

**LFD
ISSUE**

Due to the one-time nature of this project, the legislature should designate the appropriation as one-time only.

DP 99 - Orphan Share Reimbursements - The executive is requesting a biennial appropriation of \$3,500,000 for orphan share reimbursements. Orphan share costs are those that can be attributed to defunct or bankrupt liable persons and reimbursement from state funds can only occur after site cleanup is complete. Statutory provisions of 75-10-743, MCA, require DEQ to reimburse remedial action costs claimed pursuant to 75-10-742 through 75-10-752. The account is used exclusively to reimburse the orphan's share of remedial action costs for a contaminated site and to defend the orphan share during the liability allocation process. The orphan share account is funded primarily by the metalliferous mines license tax, resource indemnification trust (RIT) taxes, and interest. DEQ is seeking a biennial appropriation for the entire amount of money anticipated to be in the orphan share account at the end of fiscal 2003.

New Proposals										
Prgm	FTE	General	Fiscal 2002			FTE	General	Fiscal 2003		
			State Special	Federal Special	Total Funds			State Special	Federal Special	Total Funds
DP 9 - NRIS Core Funding - Remediation Division										
40	0.00	0	10,672	9,338	20,010	0.00	0	10,672	9,338	20,010
DP 15 - Above Ground Storage Tank Survey										
40	0.00	0	25,000	0	25,000	0.00	0	25,000	0	25,000
DP 16 - Petroleum Board Fund Liabilities Study										
40	0.00	0	75,000	0	75,000	0.00	0	0	0	0
DP 42 - Restricted Database Development										
40	0.00	0	18,306	34,294	52,600	0.00	0	18,306	34,294	52,600
DP 50 - LUST Trust Contracted Service Increase To Base										
40	0.00	0	30,000	270,000	300,000	0.00	0	30,000	270,000	300,000
Total	0.00	\$0	\$158,978	\$313,632	\$472,610	0.00	\$0	\$83,978	\$313,632	\$397,610

New Proposals

DP 9 - NRIS Core Funding - Remediation Division - The executive is requesting additional funding of \$20,010 per year for the Remediation Division portion of core funding for the Montana State Library Natural Resource Information System (NRIS). This request for additional funding is due to a three-year average use of NRIS by the departments.

**LFD
COMMENT**

NRIS is located within the State Library Commission and questions are being raised regarding funding for this program. Decisions made regarding NRIS funding may impact this decision package. Therefore, decisions on this proposal should be coordinated with actions taken on that budget. For a further discussion, see the State Library Commission in the Education section in Volume 4.

DP 15 - Above Ground Storage Tank Survey - The executive is requesting \$25,000 each fiscal year for a statewide survey of aboveground petroleum storage tanks (ASTs), funded by the petroleum tank release cleanup fund (PTRCF). The PTRCF is used to fund cleanup of releases from ASTs as well as underground storage tanks (USTs). The number of ASTs has increased over the past several years, potentially increasing the number of releases. This survey would be used to determine the number of ASTs and assess the public health and environmental concerns.

**LFD
COMMENT**

Above ground storage is not addressed in statute. Rather, statute references "petroleum products and hazardous products" located in underground storage tanks. The executive is seeking authority to survey above ground tanks as part of an effort to identify any potential state liability for leaks or spills.

DP 16 - Petroleum Board Fund Liabilities Study - The executive is requesting a \$75,000 one-time-only biennial appropriation for an actuarial study intended to identify the long-term fiscal liability associated with the petroleum tank release compensation fund. Under the Petroleum Tank Release Compensation Act, the petroleum fund reimburses underground storage tank owners/operators and their consultants for remediation of leaks and spills of petroleum products from eligible facilities. In 1998, new standards were fully implemented for construction, operation, and maintenance of underground storage tank systems. As a result, it is expected that the number of sites requiring remediation in the future should decrease and petroleum fund support for cleanups should be minimal. An actuarial study would help the board understand the outstanding liability on current clean-up work.

**LFD
ISSUE**

The legislature could direct the department to report the status of outstanding liability. The legislature would then have the opportunity to make decisions on the future of the program and whether and to what degree the revenue source should be continued or redirected.

**LFD
COMMENT**

The executive recommends that this appropriation be designated as a one-time only biennial appropriation.

DP 42 - Restricted Database Development - The executive is requesting \$52,600 each year of the biennium for information systems maintenance, development, and conversion activities. These funds would be expended at the program level.

**LFD
COMMENT**

The department is requesting that information technology functions be centralized. Since this decision package requests development and conversion activities rather than data entry type functions, it could be part of that centralization.

DP 50 - LUST Trust Contracted Service Increase To Base - The executive requests \$300,000 each year of the 2003 biennium to fund the federal leaking underground storage tanks (LUST) contracted services. The LUST grant carryover funds are available and the U. S. Environmental Protection Agency (EPA) is mandating that the department spend these funds within the next couple of years. These funds will augment current efforts to investigate and cleanup LUST sites where a responsible party is unable or unwilling to do the work, or where no responsible party can be identified.

**LFD
ISSUE**

If approved, the legislature may want to designate the appropriations as restricted and one-time only to recognize the one-time nature of the expenditure.

Language Recommendations

The executive is recommending the following HB 2 language:

"Item 4a is a biennial appropriation for abandoned mine reclamation."

"Item 4b is a biennial/one-time-only restricted appropriation for leaking underground storage tank trust contracted services."

"Item 4c is a biennial appropriation for leaking underground storage tank trust program."

"Item 4e contains a biennial/one-time-only appropriation of \$75,000 for the petroleum board fund liabilities study."

"Item 4f includes a biennial/one-time-only appropriation of \$150,000 for contracted services for legal support."

"Item 4g is a biennial appropriation for cleanup sites/Lockwood solvent."

There is appropriated amount up \$3,500,000 state special revenue for orphan share reimbursements during the 2003 biennium."

**LFD
COMMENT**

The executive has agreed to remove this language. The authority has been requested in DP 99 in this program (Program 40, Remediation Division) and is not needed here.

Program Proposed Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003	Total Exec. Budget Fiscal 02-03
FTE	161.70	3.00	2.00	166.70	3.00	2.00	166.70	166.70
Personal Services	5,960,767	799,017	69,727	6,829,511	841,205	70,877	6,872,849	13,702,360
Operating Expenses	13,139,037	24,714,484	415,524	38,269,045	(7,574,625)	424,005	5,988,417	44,257,462
Equipment	27,975	132,500	8,990	169,465	25,516	0	53,491	222,956
Grants	1,040,412	236,289	0	1,276,701	283,065	0	1,323,477	2,600,178
Total Costs	\$20,168,191	\$25,882,290	\$494,241	\$46,544,722	(\$6,424,839)	\$494,882	\$14,238,234	\$60,782,956
General Fund	1,002,906	465,808	11,175	1,479,889	332,859	11,175	1,346,940	2,826,829
State/Other Special	16,116,988	24,610,541	84,165	40,811,694	(7,537,395)	73,175	8,652,768	49,464,462
Federal Special	3,048,297	805,941	398,901	4,253,139	779,697	410,532	4,238,526	8,491,665
Total Funds	\$20,168,191	\$25,882,290	\$494,241	\$46,544,722	(\$6,424,839)	\$494,882	\$14,238,234	\$60,782,956

Program Description

The Permitting and Compliance Division administers all DEQ permitting and compliance activities that relative to 25 state regulatory and five related federal authorities. The division: 1) reviews and assesses environmental permit applications (coordinating with other state, local, and federal agencies) to determine control measures needed to ensure compliance with the law and to prevent land, water, and air conditions detrimental to public health welfare, safety and the environment; 2) prepares supporting environmental documents under the Montana Environmental Policy Act and provides training and technical assistance when needed; 3) inspects to determine compliance with permit conditions, laws, and rules; and 4) provides assistance to resolve a facility's compliance issues, in close coordination with Enforcement Division. Activities are organized in the Air & Waste Management (air, asbestos, hazardous waste); Community Services (solid waste, junk vehicles, public water supply, waste water operators); Environmental Management (hard rock, facility siting); Industrial and Energy Minerals (coal, uranium, opencut); and Water Protection (subdivisions, water) bureaus.

Program Narrative

This program includes present law adjustments for 14 separate "base adjustments" that total \$1.1 million in fiscal 2002 and \$.92 million in fiscal 2003. These adjustments do not include workload indicators that could be used to justify an increase in expenditures as a result of an increase in legally mandated workload. For example, in DP 15 below, the department anticipates additional expenditures because the water and wastewater certification program is now a "federally-mandated" program. However, the department neither specifies how the workload will increase nor do they reference the magnitude with which it will increase. The department merely "anticipates" increases. For sake of brevity, that is only one example but others can be explored as necessary. Please see the agency-wide issue on base adjustments.

Funding

This division is funded from general fund and numerous sources of state and federal special revenue. Specific funding sources for the division are shown in Table 7. General fund is used primarily for activities concerning hard rock mining, solid waste management, major facility sites, and open-cut mining. The largest source of state special revenue funding is from forfeited hard rock mining bonds followed by air quality operating fees, junk vehicle fees, and funding from the reclamation and development RIT account. Funding from EPA performance partnership grants provides the largest source of federal funds followed by the Department of State Lands reclamation account and the state revolving drinking water grant.

Table 7 Environmental Quality Permitting and Compliance						
	Actual FY 2000	Percent of Total	Executive Request FY 2002	Percent of Total	Executive Request FY 2003	Percent of Total
General Fund	\$ 1,002,906		\$ 1,479,889		\$ 1,346,940	
Subtotal -- General Fund	\$ 1,002,906	4.97%	\$ 1,479,889	3.18%	\$ 1,346,940	9.46%
Hazardous Waste-Cercla	\$ 442,463		\$ 535,031		\$ 532,247	
Pegasus Reclamation/Zortman	443,474		443,474		-	
Reclamation - Bond Forfeitures	5,418		2,733,087		-	
Solid Waste Management Fee	434,638		553,057		554,699	
Air Quality - Operating Fees	1,624,606		1,733,505		1,727,109	
Asbestos Control	137,139		213,313		212,701	
Public Drinking Water	621,736		685,997		684,197	
NPDES Permit Program	649,165		890,592		887,828	
Subdivision Plat Review	603,529		1,010,918		1,011,716	
BD of Cert for W&WW op	80,248		87,702		104,090	
Hazardous Waste Fees	21,461		192,472		42,325	
Major Facility Siting	288,629		1,299,620		834	
Pegasus-Geal Mountain	3,044,254		2,500,000		-	
Reclamation Hardrock	12,561		150,000		-	
Reclamation and Development	1,053,972		1,534,954		1,465,351	
Pegasus Bankruptcy/Operations	539,193		923,439		-	
Junk Vehicle Disposal	1,112,406		1,410,728		1,415,892	
Pegasus-Basin	1,553,154		1,600,000		-	
Zortman Reclamation -Comp Bid	772,120		6,300,000		-	
Landusky Reclamation -Comp Bid	2,149,545		14,500,000		-	
Zortman/Landusky Nitrate System	375,596		1,500,000		-	
Septage Fees	12,197		13,805		13,779	
Glacier General Insurance Co.	139,484		-		-	
Subtotal -- State Special Revenue	\$ 16,116,988	79.91%	\$ 40,811,694	87.68%	\$ 8,652,768	60.77%
Operator Traing Reim	\$ -		\$ 398,901		\$ 410,532	
DSL Federal SL Reclamation Grant	860,019		871,862		872,223	
EPA/Drinking Water SRF	-		90,648		74,586	
NPS Implementation Grant	72,939		74,503		74,503	
EPA Performance Partnership Grant	1,876,795		2,038,682		2,027,745	
EPA Special Studies	7,132		-		-	
Bureau of Reclamation Drought	-		500,000		500,000	
EPA-St. Rev. Fnd.-Drinking Water 1998 Grant	231,412		278,543		278,937	
Subtotal -- Federal	\$ 3,048,297	15.11%	\$ 4,253,139	9.14%	\$ 4,238,526	29.77%
Total Funding	\$ 20,168,191	100.00%	\$ 46,544,722	100.00%	\$ 14,238,234	100.00%

Present Law Adjustments										
-----Fiscal 2002-----					-----Fiscal 2003-----					
	FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services					884,532					927,776
Vacancy Savings					(187,598)					(188,843)
Inflation/Deflation					7,714					14,707
Fixed Costs					113,228					121,904
Total Statewide Present Law Adjustments					\$817,876					\$875,544
DP 10 - MEPA Base Adjustments	0.00	23,441	(467)	0	22,974	0.00	11,756	(440)	0	11,316
DP 11 - Hazardous Waste Base Adjustments	0.00	0	26,124	39,188	65,312	0.00	0	22,881	34,321	57,202
DP 12 - Asbestos Base Adjustments	0.00	0	10,246	0	10,246	0.00	0	8,503	0	8,503
DP 13 - Air Base Adjustments	0.00	0	(34,042)	0	(34,042)	0.00	0	(48,334)	0	(48,334)
DP 14 - PWSS Base Adjustments	0.00	0	20,727	154,345	175,072	0.00	0	13,473	120,804	134,277
DP 15 - Operator Certification Base Adjustments	0.00	0	5,209	11,500	16,709	0.00	0	21,305	11,500	32,805
DP 16 - Solid Waste Base Adjustment	0.00	11,943	74,230	0	86,173	0.00	9,400	72,150	0	81,550
DP 17 - Junk Vehicle Base Adjustments	0.00	0	23,311	0	23,311	0.00	0	22,226	0	22,226
DP 18 - Hard-rock Base Adjustments	0.00	107,697	153,139	0	260,836	0.00	100,274	142,889	0	243,163
DP 19 - MFSA Base Adjustments	0.00	21,719	0	0	21,719	0.00	6,391	(40,118)	0	(33,727)
DP 20 - Open-cut Base Adjustments	0.00	10,812	38,334	0	49,146	0.00	9,406	33,348	0	42,754
DP 21 - Coal & Uranium Base Adjustment	0.00	0	19,423	58,269	77,692	0.00	0	18,287	54,861	73,148
DP 22 - Water Permits Base Adjustments	0.00	3,000	28,481	7,000	38,481	0.00	3,000	23,254	7,000	33,254
DP 23 - Subdivision Base Adjustment	0.00	0	258,000	0	258,000	0.00	0	255,000	0	255,000
DP 24 - MPDES Permit Writer	1.00	0	64,000	0	64,000	1.00	0	62,000	0	62,000
DP 31 - IT Positions to CMP - Pgm 50	(1.50)	(1,704)	(25,981)	(34,907)	(62,592)	(1.50)	(1,715)	(25,165)	(32,874)	(59,754)
DP 32 - Public Water Supply System Staffing	2.00	0	0	0	0	2.00	0	0	0	0
DP 37 - Legal Staff Changes - PGM 50	(0.50)	0	(10,572)	(15,858)	(26,430)	(0.50)	0	(10,638)	(15,957)	(26,595)
DP 39 - Solid Waste Database Conversion	0.00	100,000	0	0	100,000	0.00	30,000	0	0	30,000
DP 41 - Junk Vehicle Database Conversion	0.00	0	60,000	0	60,000	0.00	0	18,000	0	18,000
DP 48 - Asbestos Compliance	0.00	28,300	56,700	0	85,000	0.00	28,300	56,700	0	85,000
DP 51 - 401 Certification Permit Writer	1.00	0	65,500	0	65,500	1.00	0	63,500	0	63,500
DP 52 - Hazardous Waste Contracted Services	0.00	0	150,000	0	150,000	0.00	0	0	0	0
DP 54 - Bond Forfeitures	0.00	0	21,478,088	0	21,478,088	0.00	0	(9,021,931)	0	(9,021,931)
DP 55 - MEPA Projects	0.00	0	772,085	0	772,085	0.00	0	(228,090)	0	(228,090)
DP 56 - Hardrock-Federal Funds	0.00	0	0	500,000	500,000	0.00	0	0	500,000	500,000
DP 61 - Junk Vehicle Grants	0.00	0	36,289	0	36,289	0.00	0	83,065	0	83,065
DP 62 - WP-Administrative Support	1.00	0	30,500	0	30,500	1.00	0	30,000	0	30,000
DP 68 - AWMB Database Maintenance	0.00	0	28,000	12,000	40,000	0.00	0	28,000	12,000	40,000
DP 71 - Fines, Fees, & Penalties	0.00	0	137,439	0	137,439	0.00	0	(12,561)	0	(12,561)
DP 72 - Major Facility Siting Act Projects	0.00	0	259,338	0	259,338	0.00	0	0	0	0

Present Law Adjustments										
-----Fiscal 2002-----						-----Fiscal 2003-----				
FTE	General	State Special	Federal Special	Total Funds		FTE	General	State Special	Federal Special	Total Funds
DP 73 - Abandoned Vehicles-Operating Costs	0.00	0	172,230	0	172,230	0.00	0	172,230	0	172,230
DP 74 - Public Water Supply Equipment	0.00	0	15,000	0	15,000	0.00	0	15,000	0	15,000
DP 80 - Public Water Supply Leased Vehicles	0.00	0	0	10,338	10,338	0.00	0	0	11,616	11,616
DP 81 - Hardrock Vehicles	0.00	23,520	32,480	0	56,000	0.00	0	0	0	0
DP 82 - Opencut Vehicles	0.00	13,815	36,185	0	50,000	0.00	6,907	18,093	0	25,000
Total Other Present Law Adjustments	3.00	\$342,543	\$23,979,996	\$741,875	\$25,064,414	3.00	\$203,719	(\$8,207,373)	\$703,271	(\$7,300,383)
Grand Total All Present Law Adjustments					\$25,882,290					(\$6,424,839)

Executive Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget included in the executive present law. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items will be applied globally to all agencies. A description of each item is included in the "Agency Budget Analysis Roadmap" section that begins this volume. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 10 - MEPA Base Adjustments - The executive is requesting to re-establish the base budget for indirect charges for the Montana Environmental Protection Act (MEPA) personnel expenditures.

DP 11 - Hazardous Waste Base Adjustments - The executive is requesting funding for hazardous waste base adjustments. If approved, these adjustments would include funding for laboratory testing, travel, field and sampling equipment, and additional motor pool usage due to vacancies. Additional funds are requested for indirect charges due to vacancies in fiscal 2000.

DP 12 - Asbestos Base Adjustments - The executive is requesting funding for asbestos base adjustments. The request includes increases for travel and indirect charges.

DP 13 - Air Base Adjustments - The executive is requesting a net reduction for air base adjustments for travel, supplies, and indirect charges due to vacancies, contracted services to review risk assessments, reductions in IT contracted services, and reductions in expenditures associated with the smoke management program.

DP 14 - PWSS Base Adjustments - The executive is requesting additional funding for the public water supply program. Items include 1) overtime pay; 2) contracted services to perform compliance inspections at public water supplies (sanitary surveys); 3) increased costs for printing, photocopying, and lab testing; (4) increased costs for references, central stores, field equipment, and computer hardware; 5) communications and postage; 6) motor pool mileage, in-state and out-of-state meals, in-state and out-of-state lodging, and commercial air; and 7) retirement pay, increased indirect rates, and vacancy savings. Funding would come from: EPA grant, Hazardous Waste/CERCLA, Public Water Supply fees, and State Revolving Fund set-asides.

DP 15 - Operator Certification Base Adjustments - The executive is requesting funding to re-establish the base budget for the water and wastewater operator certification program. The program has recently become a federally mandated program. Consequently, the executive anticipates increased expenditures to maintain EPA approval. Additional expenditures include: 1) printing, photocopying, office supplies, reference materials, long-distance telephone, and travel related costs; 2) computer replacement; and 3) increased contracted assistance

DP 16 - Solid Waste Base Adjustment - The executive is requesting base adjustments to fund the solid waste program (SWP). Adjustments to travel, training, communications, and supplies are included in the request.

DP 17 - Junk Vehicle Base Adjustments - The executive is requesting base adjustments to fund indirect costs, legal fees/court costs, computer replacement, travel, communications, and crushing expenses.

DP 18 - Hard-rock Base Adjustments - The executive is requesting funding for hard-rock base adjustments. Base adjustments are requested to accommodate increased expenditures for lab analysis, travel, and communications. This base adjustment request also includes amounts for database maintenance, trouble-shooting, and enhanced reporting requests in each year of the upcoming biennium.

**LFD
ISSUE**

Since the department is moving toward centralization of their information technology functions, information technology related expenses may not be needed. See agency-wide discussion on database conversion.

DP 19 - MFSA Base Adjustments - The executive is requesting funds for the Major Facility Siting Act base adjustments. The request includes the replacement of a digitizer, a purchase of a GIS workstation, and the purchase of a hand held GPS unit. Additional funds for water sampling at Colstrip are also being requested.

DP 20 - Open-cut Base Adjustments - The executive is requesting funds to re-establish the base budget for the open-cut program. Base increases would be used for hiring an intern, programming, vehicle repair and maintenance, rent, telephone, and travel expenses.

DP 21 - Coal & Uranium Base Adjustment - The executive is requesting funds to re-establish the base in the coal and uranium program. Base increases would be used for hiring an intern, programming, rent, office and field supplies, and travel expenses.

DP 22 - Water Permits Base Adjustments - The executive is requesting funds to re-establish the base budget for the permits section of the water protection bureau. Additional funding is being added for database maintenance, and replacement of printers, fax machine, and computers.

DP 23 - Subdivision Base Adjustment - The executive is requesting state special revenue to re-establish the base budget for the subdivision program. Additional operating budget is requested due to two vacancies for the majority of fiscal 2000.

**LFD
ISSUE**

For a discussion of this and the preceding base adjustments, please see the "Base Adjustments" issue in this section and in the agency discussion.

DP 24 - MPDES Permit Writer - The executive is requesting 1.0 FTE and related funding for a Montana Pollution Discharge Elimination (MPDES) permit writer in the 2003 biennium. Permits are updated and reissued every five years, which results in approximately 45 re-issuances annually. In addition, the department processes 10 to 15 new permits annually. The FTE is requested to address a backlog. The EPA has identified the backlog of MPDES permits as a national priority and established a goal of no more than 10 percent backlog in permits for major facilities by October 1, 2001 and no more than a 10 percent backlog for all permits by October 1, 2004. The cost of hiring a new FTE includes data network charges, telephone expenses, and a computer purchase.

**LFD
ISSUE**

Some of these adjustments appear to be one time in nature. If approved, the legislature may wish to designate these appropriations as one-time only.

DP 31 - IT Positions to CMP - Program 50 - The executive is requesting reductions resulting from the move of informational technology positions to the Central Management Program. The department proposes to move these activities into the IT bureaus in the Central Management Program. This request is to move the 1.5 FTE from program 50 into program 10.

**LFD
ISSUE**

For a discussion of this consolidation, see the Central Management Program section.

DP 32 - Public Water Supply System Staffing - This request reduces contracted services and adds 2.0 FTE and related funding in the public water supply program. One of these positions is an administrative support position in the Helena office. The position would replace an existing temporary position that is filled year-round. The position would perform support tasks to include imaging of program records, data entry, generation of database reports, filing, and copying. Funding would be provided by a reduction in contracted services for an existing contracted position. The salary and benefits for a permanent grade 9 support position would be equivalent to the existing cost of the year-round contracted support position. Operating costs would remain the same.

The second position is a technical position in the Helena Office. This water quality specialist would assist in implementation of new EPA rules; i.e. the groundwater, radon, and arsenic rules. The position would also assist in implementation of other rules, and would provide training and technical assistance to water supply owners and operators. Funding would be provided through reduced contracted services expenses for database development in the next biennium for database development.

DP 37 - Legal Staff Changes - Program 50 - The executive is requesting a reduction in funding to account for legal staff changes. Attorneys were originally assigned to each division according to projected needs. Due to an increase in enforcement cases, this transfer moves FTE and funding from program 50 to program 30.

DP 39 - Solid Waste Database Conversion - The executive is requesting funding to upgrade the existing Solid Waste Program database to an Oracle system. If approved, the database conversion would take place during fiscal 2002 at an approximate cost of \$100,000. An additional \$30,000 would be required for maintenance and trouble shooting of the system in fiscal 2003.

**LFD
ISSUE**

For further discussion, please see agency-wide issue regarding database conversion.

DP 41 - Junk Vehicle Database Conversion - The executive is requesting to upgrade the existing Junk Vehicle Program AREV database to the department-supported Oracle system. If approved, the database conversion would take place during fiscal 2002 at an approximate cost of \$60,000. An additional \$18,000 would be required for maintenance and trouble shooting of the system in fiscal 2003.

**LFD
ISSUE**

For further discussion, please see agency-wide issue regarding database conversion.

DP 48 - Asbestos Compliance - The executive is requesting \$85,000 in each year of the biennium for contracted services in the asbestos program due to an increased workload resulting from increase public awareness of asbestos.

DP 51 - 401 Certification Permit Writer - The executive is requesting funds for an additional 1.0 FTE for the 2003 biennium for a certification permit writer. This request is due to workload increases in the following areas: changes in

the 404 permits and 401 reviews; increased stream restoration projects; additional EPA review for short-term turbidity authorizations (318s); and increases in Montana Department of Transportation wetland projects. The cost of hiring a new FTE includes data network charges, telephone expenses, and a computer purchase.

DP 52 - Hazardous Waste Contracted Services - The executive is requesting a \$150,000 biennial appropriation for contracted technical assistance. If approved, contractors would investigate facility background; review plans to characterize health and environmental effects of the release of hazardous waste to land, water, or air; identify contaminant sources; prepare human health and ecological risk assessments; and verify data quality.

DP 54 - Bond Forfeitures - The executive is requesting an increase of \$21,478,088 in fiscal 2002 and a reduction of \$9,021,931 in fiscal 2003 to re-establish the budget for the expenditure of potential bond forfeitures. The department has numerous mine projects in various stage of reclamation using forfeited bond monies.

**LFD
ISSUE**

- If approved, the executive recommends restricting spending to this purpose. The legislature may wish to make any appropriation contingent upon the receipt of bond forfeiture money.

DP 55 - MEPA Projects - The executive is requesting an increase of \$772,085 in fiscal 2002 and a reduction of \$228,090 in fiscal 2003 to accommodate potential Montana Environmental Protection Act (MEPA) project funding. The department is responsible for preparing and/or coordinating environmental impact statements for major projects.

**LFD
COMMENT**

If approved, the executive is requesting biennial spending authority and recommends restricting spending to this purpose.

DP 56 - Hardrock-Federal Funds - The executive is requesting \$500,000 each year of the biennium to spend Bureau of Land Management (BLM) money and to have authority for current grant proposals to the Environmental Protection Agency (EPA). DEQ received \$50,000 from BLM to help cover the calendar year 1999 shortfall in water treatment at the Zortman and Landusky mines. An additional \$220,000 in BLM funds has been committed for DEQ to use in calendar year 2000. Additional funds are likely to be available for fiscal 2002 and fiscal 2003.

DP 61 - Junk Vehicle Grants - The executive is requesting state special revenue from the junk vehicle account for increases in spending authority for the Junk Vehicle Program grants given to counties. A three percent increase in the total grants to counties is being requested to meet the anticipated and projected county eligibility for grant funding and the increased expenditures by the counties of their full grant authority. The projections are based on the anticipated annual increases in the number of motor vehicle registrations.

DP 62 - WP-Administrative Support - The executive is requesting 1.0 FTE and related funding to provide administrative support in the water permits section. Currently, there is a backlog of work in all areas of administrative support duties. The cost of hiring a new FTE includes data network charges, telephone expenses, and a computer purchase.

DP 68 - AWMB Database Maintenance - The executive is requesting \$40,000 in each year of the biennium maintain the recently developed databases within the air and waste management bureau (AWMB). Database maintenance activities would include ongoing technical support by the system designer, minor repairs to correct program "bugs" identified during normal operations, minor modifications to address changes in program priorities or business practices, and system modifications to provide additional functionality to the department, the public and the regulated community.

**LFD
ISSUE**

For further discussion, please see the agency-wide issue regarding database conversion.

DP 71 - Fines, Fees, & Penalties - The executive is requesting funding to establish a budget for the expenditure of funds in the fines, fees, and penalties account. The revenue in this fund is from fines, fees, and penalties in mining activities and are used for reclamation projects where statute provides no bonding or inadequate bonding and for mining research projects. Staff anticipates reclamation projects to be completed during the next biennium for which cash is currently available. Biennial spending authority is requested.

DP 72 - Major Facility Siting Act Projects - The executive is requesting \$259,338 to accommodate potential MFSA project funding. Power generation projects are pending in the department. The department would use the authority to review plans for proposed facilities in an effort to comply with mandatory review time frames. Biennial spending authority is requested.

**LFD
ISSUE**

If approved, the executive recommends restricting spending for this purpose.

DP 73 - Abandoned Vehicles-Operating Costs - The executive is requesting \$72,230 in each year of the biennium for additional spending authority in the abandoned vehicle program within the junk vehicle fund. It is anticipated that the full implementation and utilization of the abandoned vehicle program would occur in fiscal 2002 and fiscal 2003. This request would provide funding to meet contract payments to participating haulers during that period, as well as to fund the projected indirect costs associated with the addition of a 0.25 FTE in the program. The junk vehicle disposal fee paid when registering a motor vehicle funds this program

DP 74 - Public Water Supply Equipment - The executive is requesting \$15,000 in each year of the biennium for scanning (imaging) equipment in the Public Water Supply Program (PWS). The PWS section initiated a file-imaging project in cooperation with DEQ information technology staff, which would provide better access to public water supply file information. In fiscal 2002 and 2003, the department anticipates that additional hardware and software purchases would be made to provide Internet access by the public to the PWS section water quality, compliance, correspondence, and source data.

**LFD
ISSUE**

Because of the one-time nature of this decision package, the legislature should designate it as one time only.

DP 80 - Public Water Supply Leased Vehicles - The executive is requesting funds to lease two additional state Motor Pool vehicles for the public water supply program. Both of these vehicles are for the Billings office staff.

DP 81 - Hardrock Vehicles - The executive is requesting a \$56,000 appropriation in fiscal 2002 that would be used to purchase two vehicles for the hard rock mining program. The State Transportation Motor Pool was unable to meet program specifications for standard transmissions and other features. The vehicles would be used for inspecting hard rock mines and exploration projects permitted under the Montana metal mines reclamation act (MMRA).

**LFD
COMMENT**

- Because of the extensive off-road travel involved in this program, program staff believe that manual transmissions are more durable and safer. Manual transmissions are currently not an option for trucks under the motor pool lease program.

**LFD
ISSUE**

Because of the one-time nature of much of this decision package, the legislature may wish to designate it as one-time-only and restrict spending to this project.

DP 82 - Opencut Vehicles - The executive is requesting funding to replace three vehicles in the opencut program. DEQ is requesting the ability to purchase these vehicles in lieu of the MDT lease program because a significant number of miles are off-road.

**LFD
COMMENT**

These are 4-door trucks that would be used to haul crews and large pieces of equipment into remote areas. Similar to the Hardrock program request (DP 81), program staff believes that manual transmissions are more durable and safer. Manual transmissions are currently not an option for trucks under the motor pool lease program.

**LFD
ISSUE**

Because of the one-time nature of much of this decision package, the legislature may wish to designate it as one-time-only and restrict spending to this project.

New Proposals										
Prgrm	FTE	-----Fiscal 2002-----				FTE	-----Fiscal 2003-----			
		General	State Special	Federal Special	Total Funds		General	State Special	Federal Special	Total Funds
DP 4 - Storm Water Phase II Permit Writer										
50	1.00	0	64,000	0	64,000	1.00	0	62,000	0	62,000
DP 10 - NRIS Core - PCD										
50	0.00	11,175	11,175	0	22,350	0.00	11,175	11,175	0	22,350
DP 17 - Hardrock Equipment										
50	0.00	0	8,990	0	8,990	0.00	0	0	0	0
DP 91 - Operator Training Reimbursement Program										
50	1.00	0	0	398,901	398,901	1.00	0	0	410,532	410,532
Total	2.00	\$11,175	\$84,165	\$398,901	\$494,241	2.00	\$11,175	\$73,175	\$410,532	\$494,882

New Proposals

DP 4 - Storm Water Phase II Permit Writer - The executive is requesting 1.0 FTE and related funding for a storm water phase II permit writer. The Environmental Protection Agency has recently implemented additional requirements for storm water permits. Anticipated additional workload includes developing a new general permit, processing the estimated 325 new permit authorizations, providing technical assistance, and conducting field inspections. The new phase II rules require permitting of a number of cities and towns as well as construction sites exceeding one acre in size as opposed to the existing five-acre limit. The cost of hiring a new FTE includes data network charges, telephone expenses, and a computer purchase.

DP 10 - NRIS Core - PCD - The executive is requesting \$22,350 in each year of the biennium for the Permitting and Compliance Division portion of core funding of the Montana State Library Natural Resource Information System (NRIS). This request for additional funding is based on the three-year average use formula for NRIS that tracks the utilization of state agencies.

**LFD
COMMENT**

NRIS is located within the Montana State Library program and questions are being raised regarding funding for this program. Decisions made regarding NRIS funding may impact this decision package. Therefore, decisions on this decision package should be coordinated with actions taken on that budget. For a further discussion, see the State Library Commission in the Education section in this volume (Volume 4)

DP 17 - Hardrock Equipment - The executive is requesting \$8,990 in fiscal 2002 to purchase equipment. The environmental management bureau is requesting a digital camera(s) and a plotter. With the digital camera, staff would be able to store site visit photographs with the data collected at that site. The plotter would be used to prepare maps and charts for public meetings and Montana Environmental Protection Act (MEPA) documents.

**LFD
ISSUE**

Because of the one-time nature of much of this decision package, the legislature may wish to designate it as one-time-only and restrict spending to this project.

DP 91 - Operator Training Reimbursement Program - The executive is requesting \$398,901 in fiscal 2002 and \$410,532 in fiscal 2003 along with 1.0 FTE for the operator training reimbursement program. The Safe Drinking Water Act requires the EPA to reimburse the costs of training (including per diem for un-salaried operators) and certification for persons operating community and non-transient, non-community public water systems serving 3,300 persons or fewer, who undergo training pursuant to EPA operator certification guidelines. Montana has approximately 840 systems that meet these criteria. This request would fund the eligible reimbursement costs for training, certification, and renewal for the operators. In addition, the request includes funding for 1.0 FTE and operating costs to support the administrative duties that would be performed by DEQ staff.

Language Recommendations

The executive is recommending the following HB 2 language:

"Item 5a includes a biennial/restricted appropriation of \$21,478,088 for hard-rock bond forfeitures."

"Item 5b contains a biennial/restricted appropriation of \$259,338 for major facility siting act projects."

"Item 5c includes a biennial/restricted appropriation of \$772,085 for Montana environmental policy act projects."

"Item 5d contains a biennial appropriation of \$150,000 for hazardous waste contracted services."

"Item 5e contains a biennial appropriation of \$137,439 for fines, fees, and penalties."